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* All restatement adjustments are reflected pre-tax except for minority's interest in losses of subsidiaries, net and share of losses of equity affiliates, net.

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Debtors-In-Possession)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Impact on January 1, 2001 (December 31, 2000) Balance Sheet

In addition to the effects on the Company's opening accumulated deficit as of January 1, 2001 discussed below, the restatement affected the Company's opening consolidated balance sheet as of January 1, 2001 (December 31, 2000). The following tables set forth the effects of the Company's restatement adjustments on the Company's condensed consolidated balance sheet as of January 1, 2001 (December 31, 2000). In order to provide a more meaningful basis of comparison with the "Previously reported" amounts, the current and noncurrent portions of assets and liabilities have not been separately presented in the following condensed consolidated balance sheets (amounts in thousands):

	January 1, 2001 (December 31, 2000)		
	Previously reported (unaudited)	Increase (decrease)	As restated
Assets			
Cash, receivables and other assets	$ 1,283,258	$ (123,013)	$ 1,160,245
Property and equipment, net	6,124,820	(1,462,103)	4,662,717
Goodwill and other intangible assets, net	14,091,402	(765,137)	13,326,265
Total assets	$21,499,480	$ (2,350,253)	$19,149,227
Liabilities and Stockholders' Equity			
Payables, subscriber advance payments and deposits, deferred income, accrued expenses and other liabilities	$ 1,609,925	$ 213,725	$ 1,823,650
Debt	12,603,413	1,638,680	14,242,093
Deferred income taxes	2,074,038	(1,368,890)	705,148
Total liabilities	16,287,376	483,515	16,770,891
Minority's interest and redeemable preferred stock	1,061,825	(70,934)	990,891
Stockholders' equity:			
Series preferred stock	29	—	29
Common stock	1,530	—	1,530
Additional paid-in capital	6,839,686	156,183	6,995,869
Accumulated other comprehensive income (loss)	(16,362)	14,360	(2,002)
Accumulated deficit	(2,525,203)	(1,647,674)	(4,172,877)
Treasury stock, at cost	(149,401)	116,057	(33,344)
Stockholders' equity before deducting amounts due from the Rigas Family and Rigas Family Entities	4,150,279	(1,361,074)	2,789,205
Amounts due from the Rigas Family and Rigas Family Entities, net	—	(1,401,760)	(1,401,760)
Total stockholders' equity	4,150,279	(2,762,834)	1,387,445
Total liabilities and stockholders' equity	$21,499,480	$ (2,350,253)	$19,149,227

Changes in Reporting Entity

Change to Equity Method. On October 1, 1999, the Company acquired Century and its 50% equity interests in Century/ML Cable Venture ("Century/ML Cable") and Century Venture Corp. ("CVC"), and in 1995, the Company acquired a 50% equity interest in St. Marys Television Inc. ("St. Marys"). In previously issued consolidated financial statements, the Company had consolidated Century/ML Cable, CVC and St. Marys effective with their respective acquisition dates despite the fact that the Company did not own a controlling financial interest in any of these entities. Accordingly, the Company has restated its consolidated financial statements to account for its interests in Century/ML Cable, CVC and St. Marys using the equity method of accounting during the periods that such interests were owned by the Company. In May 2001, the Company exercised its rights under the CVC shareholders' agreement to withdraw from CVC and reacquire the cable systems originally contributed by the Company to CVC. The above-described restatement adjustments by themselves did not have an impact on the Company's accumulated deficit at January 1, 2001. However, restatement adjustments related to the amortization of excess basis as well as adjustments to the financial statements of the underlying entities resulted in an increase to the Company's accumulated deficit at January 1, 2001 of $4,686,000.

Change to Consolidation Method. Prior to January 1, 1999, the Company acquired voting equity interests and preferred interests in three Brazilian cable operating entities. In its previously issued financial statements, the Company used the cost method to account for certain of these entities. The Company owned a controlling financial interest in all of these entities, and has restated its financial statements to consolidate these entities. Such restatement adjustments resulted in an increase to the Company's accumulated deficit at January 1, 2001 of $15,922,000.

Debt Issues

Co-Borrowing Facilities. The Rigas Co-Borrowing Entities are co-borrowers with certain of Adelphia's subsidiaries under certain debt facilities to which such subsidiaries are parties. Each co-borrower is jointly and severally liable to the lenders for all borrowings under the Co-Borrowing Facilities. Prior to restatement, the liabilities incurred under the Co-Borrowing Facilities were allocated and recorded in the respective financial statements of the Company's subsidiaries and the Rigas Co-Borrowing Entities based on arrangements between the parties. At the time of each borrowing, proceeds from the borrowing generally were deposited into Adelphia's cash management system. Periodically, adjustments were made to remove portions of the debt from Adelphia's balance sheet and transfer that debt to the balance sheets of the individual Rigas Co-Borrowing Entities. The interest expense deemed associated with the transferred debt was also allocated to the Rigas Co-Borrowing Entities, although the allocation methodology appeared to vary from period to period.

All of the borrowings under the Co-Borrowing Facilities should have been included in the Company's consolidated financial statements because the Company is a co-maker of the debt, is jointly and severally liable for the full amounts borrowed, and has not been legally released as a primary obligor.

In May 2002, the Company and the Rigas Co-Borrowing Entities entered into assumption agreements for each of the respective Co-Borrowing Facilities whereby the Rigases acknowledged their liability for approximately $2,800,000,000 of co-borrowing debt. The assumption agreements did not convert Adelphia's obligation under the lending arrangement into that of a guarantor because the lenders were not party to those agreements and did not agree that Adelphia was removed as a primary obligor for all or part of the debt. In addition, the transfer of debt to the Rigas Co-Borrowing Entities does not qualify as an extinguishment of debt, as defined in SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.*

Accordingly, the Company recorded its full liability and a corresponding increase in the amounts due from the Rigas Family and Rigas Family Entities equal to the amount of debt attributed to those entities during each of the periods. Interest expense in each period has been restated to reflect the full amount of the interest expense on the co-borrowing debt less amounts directly attributable to and expected to be collected from the Rigas Co-Borrowing Entities. Interest on debt attributed to the Rigas Co-Borrowing Entities (at the co-borrowing debt's indicated rate) was deemed collectible from an individual Rigas Co-Borrowing Entity unless all or a portion of the affiliate receivable balance due from that entity was considered impaired. At that time, the Company ceased recognition in its consolidated financial statements of any reimbursement of interest on co-borrowing debt attributable to that Rigas Co-Borrowing Entity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Such restatement resulted in an increase to the Company's accumulated deficit at January 1, 2001 of $22,153,000. For information concerning other restatement adjustments related to the amounts due from the Rigas Family and Rigas Family Entities, see *"Amounts Charged to the Rigas Family Entities"* and *"Provision for Uncollectible Amounts due from the Rigas Family and Rigas Family Entities"* below.

Accounting for Interest Rate Swaps. During 1998, Adelphia entered into a derivative financial instrument in anticipation of a high yield debt offering by one of its subsidiaries. The subsidiary never consummated the high yield debt offering, and the fair value of the derivative instrument was significantly below its carrying value on October 26, 1998, the date that this instrument was replaced with a 10-year interest rate swap agreement. Pursuant to such swap agreement, the Company agreed to pay a fixed rate and receive a variable rate on a notional principal amount of $400,000,000. In the Company's previously issued consolidated financial statements, the Company did not recognize any gains or losses related to these instruments due to the fact that the Company considered such financial instruments to be hedging instruments. As these instruments and certain other less material interest rate swap agreements were not matched with the Company's outstanding debt, the Company has concluded that hedge accounting treatment was not appropriate for such instruments and swaps. Accordingly, the Company has restated its consolidated financial statements to carry its financial instruments that do not qualify for hedge accounting at fair value. As a result, the Company has decreased its accumulated deficit at January 1, 2001 by $13,350,000.

Amortization of Premiums, Discounts and Deferred Financing Fees. Premiums, discounts and deferred financing fees should be amortized using the effective interest method to calculate amortization of premiums, discounts and deferred financing fees. In its previously issued consolidated financial statements, the Company generally used the straight-line method to calculate such amortization. Accordingly, the Company has restated its consolidated financial statements to calculate the amortization of premiums, discounts and deferred financing fees using the effective interest method and to reflect other corrections to these items. As a result, the Company has decreased its accumulated deficit at January 1, 2001 by $4,910,000.

Calculation of Interest Expense Paid to Banks. Due to the significant adjustments made to the Company's previously issued consolidated financial statements, the leverage ratios contained in the debt compliance documentation submitted by certain of Adelphia's subsidiaries to bank lenders were misstated. As the variable interest rates paid to the bank lenders were based in part on such Adelphia subsidiaries' leverage ratios, the Company paid lower interest rates than would have been required if such leverage ratios had not been misstated. Accordingly, the Company has recorded increases to interest expense in its restated consolidated financial statements. Such restatement resulted in an increase to the Company's accumulated deficit at January 1, 2001 of $52,341,000. In addition, while many of the Company's debt agreements contain provisions requiring that the Company pay a default rate of interest upon declaration by the lenders of an event of default, the Company believes that the majority of the claims for such additional interest have been either waived or time barred. Accordingly, the Company has not recorded any additional interest expense for these claims.

Other Issues Affecting Interest Expense. In addition to the matters discussed separately above, the Company also corrected several less significant accounting errors that affected the determination of interest expense. As a result, the Company has decreased its accumulated deficit at January 1, 2001 by $13,143,000.

Capitalization of Property and Equipment

In connection with the Company's comprehensive review of its books and records, the Company has determined that certain of its prior accounting policies and procedures resulted in the improper capitalization of property and equipment in the Company's previously issued consolidated financial statements. Such improperly capitalized costs included, among other items, amounts associated with: (i) reconnecting customers where a drop already existed, (ii) service calls, (iii) inappropriate overhead costs, such as cable system electrical power, excessive engineering costs, customer care costs and costs to insure the Company for business interruption and other general risks, (iv) set-top box repairs, (v) equipment repairs, (vi) maintenance contracts, (vii) other normal service and maintenance activities performed by the Company's technical employees, (viii) the amount of interest allocated to construction activities, and (ix) other inappropriate entries. In addition, the Company generally did not record asset retirements in its previously issued consolidated financial statements.

Capitalization of Labor and Overhead Costs. Due to the volume, complexity and magnitude of the errors discovered in the capitalized property and equipment costs that were included in the Company's previously issued consolidated financial statements, the Company has concluded that it was necessary to (i) reverse substantially all of the previously recorded accounting entries related to the capitalization of internal labor, overhead and material costs, and (ii) create new accounting entries to properly capitalize such costs in accordance with GAAP as described in Note 3 above.

The Company based the new accounting entries on standard costing models that took into account the actual costs and available operational data in existence during the applicable periods. In some instances, it was necessary to make assumptions regarding the installation and construction activities to be capitalized and the standard costing models applied to such activities. These assumptions included (i) the actual amount of time required to perform each installation activity and (ii) the actual number of occurrences for installation activities involving initial customer drops and drops replacements, for each of the years. The amount of time required to perform each type of activity was based on a survey conducted in 2003 of our cable systems of the time required to perform each activity with appropriate adjustments in earlier years to recognize efficiencies gained over time for installation of HSI services. The Company estimated the number of occurrences for initial customer drops and drop replacements based on data contained in the Company's billing, customer care and engineering records. While the Company generally was able to determine the total number of drops installed for each historical period certain estimates were required to separately identify initial customer drops and drop replacements. Initial drops were based on a 2003 percentage of average initial customer drops to average total drops. This percentage was applied to actual total drops for each period, which were derived from customer care and engineering reports, to determine initial customer drops. These initial drops were deducted from the total drops for purposes of determining drop replacements.

Maintenance Costs. The Company's consolidated financial statements have been restated to expense normal service and maintenance costs as incurred and to correct all other identified capitalization and accounting errors.

Account Reconciliations. As further described below under "Balance Sheet Reconciliations", the Company analyzed and reconciled balance sheet accounts, including property and equipment accounts, which resulted in certain restatement adjustments to ensure that account balances matched the underlying supporting documentation.

Depreciation expense. Following the adjustments for all of the historical cost records for property and equipment, the Company recalculated depreciation expense associated with each capitalized asset. The recalculation also considered corrections in the useful lives used to determine depreciation, which previously were inappropriate for certain assets.

As a result of the restatement adjustments outlined above the Company's accumulated deficit at January 1, 2001 has been increased by $955,530,000.

Purchase Accounting

The Company completed a significant number of acquisitions since 1996. All of such acquisitions were accounted for using the purchase method of accounting. In connection with the Company's comprehensive review of its books and records, it was determined that certain aspects of the purchase price allocations recorded in connection with these acquisitions were not in accordance with GAAP. Most notably, allocations of purchase prices to property and equipment and intangible assets generally were not adequately supported by third party appraisals or other documentation evidencing the rationale supporting the values assigned to the various categories of property and equipment and intangible assets. In order to provide a basis for evaluating the propriety of the purchase price allocations reflected in the Company's previously issued consolidated financial statements, the Company conducted appraisals of significant acquisitions made by the Company since 1996. The results of such valuations were then used to adjust the original purchase price allocations and related depreciation and amortization reflected in the Company's previously issued consolidated financial statements. Through December 31, 2000, such adjustments resulted in, among other things, cumulative decreases of \$4,028,788,000 and \$42,384,000 to franchise rights and covenants-not-to-compete, respectively, and cumulative increases of \$248,964,000, \$1,049,766,000 and \$3,141,607,000 to property and equipment, customer relationship intangible assets and goodwill, respectively. In addition, the Company's accumulated deficit at January 1, 2001 was increased by \$96,606,000 to reflect the effects of purchase accounting adjustments.

Provision for Uncollectible Amounts due from the Rigas Family and Rigas Family Entities

The Company did not provide for uncollectible amounts due from the Rigas Family and Rigas Family Entities in previously issued financial statements. Based on the Company's assessment of the collectibility of the amounts due from each of the Rigas Family and Rigas Family Entities, the Company has restated its consolidated financial statements to provide reserves for uncollectible amounts due from the Rigas Family and Rigas Family Entities. Such restatement adjustments resulted in an increase to the Company's accumulated deficit of \$352,683,000 as of January 1, 2001. The Company's assessment of collectibility was based on an orderly sale of the Rigas Family's and Rigas Family Entities' underlying assets and did not apply current changes in circumstances to prior periods. For example, the most significant impairment recognition occurred in June 2002 when the Debtors filed for bankruptcy protection due to the dramatic effect that the filing had on the value of the underlying assets available for repayment of the advances. For additional information, see Note 6.

Balance Sheet Reconciliations

In connection with the Company's comprehensive review of its books and records, balance sheet accounts were analyzed and reconciled to underlying supporting documentation. In situations where (i) adjustments were required to accrue invoices on a timely basis, (ii) differences existed between balance sheet accounts and the underlying supporting documentation, or (iii) adjustments were otherwise required to fairly state balance sheet accounts, the Company recorded appropriate correcting adjustments. Balance sheet analysis and reconciliation adjustments related to the Company's property and equipment are quantified together with other adjustments affecting those accounts under the heading "*Capitalization of Property and Equipment*" above. The remaining adjustments related to the balance sheet reconciliation process resulted in an increase to the Company's accumulated deficit at January 1, 2001 of \$127,850,000.

Impairment of Cost and Available-for-Sale Investments

The Company experienced significant declines in the fair value of certain investments during 2000. In the Company's previously issued consolidated financial statements, a significant portion of these losses was recognized subsequent to December 31, 2000. The Company's policy at the time was to consider such declines to be temporary until a given investment had experienced declines for three consecutive quarters. As such a policy did not consider factors such as the severity of the decline, the prospects for future recovery, and the individual circumstances of the investee, the Company concluded that it was necessary to perform a comprehensive reevaluation of the adequacy and timing of other-than-temporary write-downs of its investments. As a result of its reevaluation, the Company concluded that certain other-than-temporary declines in the fair value of investments had not been recognized in the Company's previously issued consolidated financial statements on a timely basis. Accordingly, the Company has restated its consolidated financial statements to reflect other-than-temporary declines in investments in the appropriate period. Such restatement resulted in an increase to the Company's accumulated deficit of \$46,461,000 as of January 1, 2001.

Programming Contracts and Related Issues

The Company occasionally receives launch incentives and other cash payments from content providers upon the execution or extension of programming contracts. In the Company's previously issued consolidated financial statements, certain of these payments were reflected as reductions of direct operating and programming costs and expenses in the periods received. As the Company has since concluded that such payments represent an integral component of the overall economic relationship with the content provider, the Company's previously reported accumulated deficit has been adjusted to recognize such payments as reductions of programming expense on a straight-line basis over the life of the related programming contract. Such restatement adjustments increased the Company's accumulated deficit at January 1, 2001 by $9,096,000.

Marketing Support Arrangements with Certain Equipment Vendors

During 2000, the Company and two of its vendors entered into agreements that provided for retroactive increases in prices for certain set-top boxes and other equipment purchased by the Company from such vendors. During the same time period, the Company and such vendors also entered into agreements pursuant to which each of the vendors agreed to make certain marketing support payments to the Company. Over the respective terms of each of these agreements, the aggregate payments made by the Company for the price increases were approximately equal to the aggregate amount collectively paid by the respective vendors for the marketing support. In the Company's previously issued consolidated financial statements, the retroactive price increases paid to the vendors were capitalized and the payments received for marketing support were recognized as reductions of direct operating and programming costs and expenses. Based on its review of available information, the Company has concluded that these transactions lacked a valid business purpose and were in fact entered into with the objective of improving the Company's reported operating results. Accordingly, the Company has restated its consolidated financial statements to reverse the recognition of the expense reductions against the incremental amounts capitalized. Excluding related adjustments to depreciation expense that are included under "*Capitalization of Property and Equipment*" above, the aggregate effect of these restatement adjustments increased the Company's accumulated deficit at January 1, 2001 by $34,486,000.

Revenue and Income Recognition

Amortization of Deferred Revenue Associated with Warrants Received in Connection with Carriage Agreements. During 2000, the Company entered into separate transactions whereby it received warrants to purchase common stock of Worldgate Communications, Inc. ("Worldgate"), Wink Communications, Inc. ("Wink") and Commerce TV, Inc. ("Commerce.TV") in exchange for the Company's commitment to allow such entities to attach interactive cable software to certain of the Company's subscriber services. Such warrants were recorded at fair value with an offsetting amount recorded as deferred income. In the Company's previously issued consolidated financial statements, the deferred income was amortized to revenue on a straight-line basis over the term of the underlying carriage agreement without regard to the extent that such interactive services had been deployed. The Company has restated its consolidated financial statements to (i) reverse the previously recognized revenue that was not supported by the deployment of interactive services and (ii) defer the recognition of unearned income until the interactive service is deployed or, if not deployed, when the underlying carriage agreement has expired. As a result, the Company has increased its accumulated deficit as of January 1, 2001 by $6,537,000.

Deferred Billing Arrangements. From time to time, the Company offers free introductory periods to attract new subscribers. During 2000, the Company began recognizing revenue for services provided during such free periods based on the estimated aggregate revenue to be received during the expected period of service. As the Company's subscribers were not required to sign binding service contracts, subscribers were not obligated to continue services once the free introductory period expired. Given these circumstances, the recognition of revenue from services provided during free introductory periods was not in accordance with GAAP. Accordingly, the Company has restated its consolidated financial statements to reverse the recognition of such revenue. As a result, the Company's accumulated deficit as of January 1, 2001 increased by $12,836,000.

IRU Transactions. In 2000, TelCove entered into IRU agreements under which TelCove provided third parties with ownership rights to fiber optic cable. In the Company's previously issued consolidated financial statements, TelCove recorded these transactions as sales and recognized the revenue accordingly. The Company subsequently concluded that the transactions did not qualify as sales and that the revenue should have been deferred and recognized on a straight-line basis over the life of the underlying agreements. As a result, the Company has restated its consolidated financial statements to increase its accumulated deficit as of January 1, 2001 by $13,294,000.

Other Revenue and Income Recognition Issues. In addition to the matters discussed separately above, the Company also corrected several less significant accounting errors that involved the improper recognition of income or revenue. Such restatement adjustments increased the Company's accumulated deficit at January 1, 2001 by $15,093,000.

Amounts Charged to the Rigas Family Entities

As discussed in Note 6, the Company charged the Rigas Family Entities certain fees, including management and transaction fees, and generally recognized such amounts as revenue in its previously issued consolidated financial statements. Given that the Company and the Rigas Family Entities were under common control, the recognition of these fees as revenue is not appropriate. Accordingly, the Company has restated its consolidated financial statements to record these fees as a reduction of the related costs incurred with any excess of fees charged over costs incurred recognized as an adjustment to additional paid-in capital. In addition, the Company allocated certain costs, including co-borrowing and affiliate interest, to the Rigas Family Entities and recognized these amounts as a reduction of the related costs. In certain instances, the Rigas Family Entities allocated affiliate interest to the Company. The methodologies used to allocate interest and other costs between the Company and the Rigas Family Entities in the Company's previously issued consolidated financial statements were not consistently applied from period to period, and documentation supporting the allocations could not be located or generally was inadequate. The Company has restated its consolidated financial statements to properly reflect the charges of interest and costs to the Rigas Family Entities on a consistent basis. For additional information, see Note 3. As a result of these adjustments, the Company's accumulated deficit at January 1, 2001 was increased by $45,962,000. For additional information concerning restatement adjustments related to co-borrowing interest, see *"Co-Borrowing Facilities"* above. For additional information, see Note 6.

Investments in Nonconsolidated Entities

Accretion of Investment in Preferred Stock. In the Company's previously issued consolidated financial statements, the Company accreted the carrying value of its investment in certain UnitedGlobalCom, Inc. ("UGC") preferred stock to the liquidation value specified in the agreement. As the Company accounted for this preferred stock investment at cost, after an other-than-temporary impairment, the accretion of this investment was not in accordance with GAAP. Accordingly, the Company has restated its consolidated financial statements to eliminate such accretion. As a result of such restatement, the Company increased its accumulated deficit at January 1, 2001 by $7,347,000.

Local Multipoint Distribution Services ("LMDS") Licenses. The Company originally acquired LMDS licenses through an entity that was considered a nonconsolidated entity. Subsequently, the Company determined that this entity should have been consolidated. The only assets of this entity were the LMDS licenses. Accordingly, the Company determined that the licenses should have been accounted for as other assets from their initial date of acquisition and amortized accordingly. As a result, the Company's accumulated deficit at January 1, 2001 has increased by $8,928,000.

Stock Compensation

During October 1999, the Company executed documents to provide Leslie J. Gelber with options to purchase 250,000 shares of Class A Common Stock. At the time of the execution of such documents, Mr. Gelber was a nominee for election to the Adelphia Board of Directors. This proposed grant was approved at the July 6, 2000 Adelphia Board of Directors meeting. The Company did not record any compensation for this grant in its previously issued consolidated financial statements. Based on the minutes of the July 6, 2000 meeting, the Company subsequently concluded that the grant did not fall within the scope of APB Opinion No. 25 due to the fact that the options were granted to Mr. Gelber for services performed outside of his role as a director of the Company. In addition, as Mr. Gelber was not obligated to perform any future services for the Company pursuant to the terms of the grant, the Company concluded that an expense of $6,425,000 should have been recorded in connection with the July 2000 Board of Directors approval of the grant, based on the fair value of the options on the approval date. This adjustment, combined with other miscellaneous compensation adjustments associated with employee incentive awards, resulted in an increase in the Company's accumulated deficit at January 1, 2001 of $12,105,000.

Other Changes in Accumulated Deficit

As a result of the restatement process, the Company's provision for income taxes was adjusted to correct previously reported tax amounts and to reflect the tax effect of the restatement entries. Such adjustments to the Company's tax provision resulted in increases to the Company's tax benefit of $283,173,000. In addition, the Company recorded after-tax restatement adjustments to increase minority's interest share of losses of subsidiaries by $23,810,000. The Company also recorded increases in its share of losses of certain equity affiliates of $98,524,000.

Additional Paid-in Capital

As a result of the restatement process, the Company recorded various corrections to its additional paid-in capital. These adjustments resulted in a net increase of the Company's additional paid-in capital as of January 1, 2001 of $156,183,000. Adjustments generally related to (i) purchase accounting for acquisitions resulting in a $128,877,000 increase, (ii) minority's interest and equity offerings of subsidiaries resulting in a $66,211,000 increase, (iii) the retirement of treasury stock (see below) resulting in a $102,005,000 decrease, (iv) related party transactions between the Company and the Rigas Family Entities resulting in a $37,314,000 increase, (v) stock compensation resulting in a $11,444,000 increase and (vi) other miscellaneous adjustments resulting in a $14,342,000 increase.

Accumulated Other Comprehensive Income (Loss)

The Company recorded various adjustments to accumulated other comprehensive income (loss) relating to foreign currency translation adjustments and the erroneous accounting for certain warrants and investments. These adjustments resulted in a reduction of the Company's accumulated other comprehensive loss of $14,360,000.

Treasury Stock, at Cost

In connection with its restatement, the Company recorded a reduction of treasury stock of $116,057,000 primarily related to (i) the retirement of certain preferred stock that was repurchased by the Company prior to 2001, but was historically shown as being issued and (ii) adjustments for previously unrecorded issuance of treasury stock on behalf of a Rigas Family Entity.

Amounts due from the Rigas Family and Rigas Family Entities, net

Prior to the restatement, the Company did not account for the amounts due from the Rigas Family and Rigas Family Entities as a reduction of stockholders' equity. For information regarding the activity of amounts due from the Rigas Family and Rigas Family Entities, net, see Note 6.

Note 5: Recent Accounting Pronouncements

In March 2004, the EITF reached a consensus on Issue No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128* ("EITF No. 03-6"), which addresses the calculation and disclosure of earnings per share for companies with participating convertible securities or multiple classes of common stock. EITF No. 03-6 requires that companies present EPS for each class of common stock, effective for fiscal periods beginning after March 31, 2004. As the Company has Class A Common Stock and Class B Common Stock, it will begin presenting EPS for each of these classes effective with the year ended December 31, 2004.

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In May 2003, the Financial Accounting Standards Board (the "FASB") issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS No. 150"). SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The statement requires that an issuer classify a financial instrument that is within its scope as a liability or, in some circumstances, an asset. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. As a result of the adoption of SFAS No. 150, the Company has classified its Series B Preferred Stock (as defined in Note 15) as a liability subject to compromise in the accompanying December 31, 2003 consolidated balance sheet. For additional information, see Note 2.

In April 2003, the FASB issued SFAS No. 149, which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133. SFAS No. 149, which requires that contracts with comparable characteristics be accounted for similarly, is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The provisions of SFAS No. 149 are to be applied prospectively only. The adoption of SFAS No. 149 did not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46", and as subsequently revised in December 2003, "FIN 46-R"), which requires variable interest entities, as defined by FIN 46-R, to be consolidated by the primary beneficiary if certain criteria are met. FIN 46-R was immediately effective for all variable interest entities created after January 31, 2003. None of the Company's variable interest entities were created subsequent to January 31, 2003. For variable interest entities created before February 1, 2003, the provisions of FIN 46-R must be applied to (i) variable interest entities that are not special purpose entities, as defined in FIN 46-R, no later than the end of the first interim period or annual reporting period ending after March 15, 2004 and (ii) to variable interest entities that are special purpose entities no later than the first interim or annual reporting date ending after December 15, 2003. The Company is in the process of evaluating whether the Company is the primary beneficiary for each of the Rigas Co-Borrowing Entities, as contemplated by FIN 46-R.

As discussed further in Note 14, certain subsidiaries of Adelphia and the Rigas Co-Borrowing Entities are jointly and severally liable for all amounts borrowed pursuant to the Co-Borrowing Facilities. As such, the full amounts outstanding under such Co-Borrowing Facilities are reflected as debt in the balance sheets of both the Company and the Rigas Co-Borrowing Entities without regard to the attribution of such co-borrowings between the Company and the Rigas Co-Borrowing Entities. In light of the fact that the full amount of the co-borrowing obligations is reflected as debt in the Company's consolidated financial statements, the Company believes its maximum exposure to future statement of operations loss as a result of its involvement with the Rigas Co-Borrowing Entities is equal to the carrying value of its net advances to the Rigas Co-Borrowing Entities ($771,606,000 at December 31, 2003). The net carrying value at December 31, 2003 represents a $929,431,000 affiliate receivable less an allowance for losses of $157,825,000. For additional information, see Note 6.

In addition to the Rigas Co-Borrowing Entities, the Rigas Family owns at least 16 additional entities that could be considered to be variable interest entities. The Company has not applied the provisions of FIN 46-R to these Rigas entities due to the fact that the Company cannot verify that the information it possesses with respect to these Rigas entities is complete and/or accurate. We have requested, but were not provided financial statements of these Rigas entities. Although these Rigas entities own a variety of assets, the most significant of these assets are the Adelphia securities that were purchased from the Company. The most significant liabilities of these Rigas entities that the Company is aware of are the amounts owed to the Company with respect to the purchase of such Adelphia securities and other transactions, as described in greater detail in Note 6. The DoJ is seeking an order of forfeiture against certain members of the Rigas Family. See Note 21 for additional information. The Company believes that its maximum exposure to future statement of operations loss as a result of its involvement with these Rigas entities is equal to the carrying value of its net advances to these Rigas entities (approximately $47,131,000 at December 31, 2003, which represents the application of the market price to the Adelphia securities held by such entities and does not give effect to the terms of the Stand-Alone Plan). The net carrying value at December 31, 2003 represents a $2,073,709,000 affiliate receivable less an allowance for losses of $2,026,578,000.

In December 2002, the FASB issued SFAS No. 148, which (i) amends SFAS No. 123 to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation, (ii) amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation and (iii) amends APB Opinion No. 28, *Interim Financial Reporting*, to require disclosure about those effects in interim financial information. Items (i) and (ii) of the requirements in SFAS No. 148 were effective for financial statements for fiscal years ending after December 15, 2002 and Item (iii) was effective for the first interim period after December 15, 2002. The Company has adopted the disclosure requirements of SFAS No. 148. As permitted by SFAS No. 123, the Company has elected to not adopt the fair value based method of accounting for stock options. For additional information, see Note 3.

In November 2002, the FASB issued FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirement for Guarantees, including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). FIN 45 creates new disclosure and liability recognition requirements for certain guarantees, including obligations to stand ready to perform. The initial recognition and measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for financial statement periods ending after December 15, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's results of operations or financial position.

In November 2002, the EITF reached a consensus on Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables* ("EITF No. 00-21"). EITF No. 00-21 governs arrangements involving multiple deliverables and how the related revenue should be measured and allocated to each deliverable. EITF No. 00-21 applies to revenue arrangements entered into after June 30, 2003; however, upon adoption, the EITF allows the guidance to be applied on a retroactive basis, with the change, if any, reported as a cumulative effect of an accounting change in the consolidated statements of operations. The implementation of EITF No. 00-21 did not have a material impact on the Company's results of operations or financial position.

In July 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ("SFAS No. 146"). SFAS No. 146 requires companies to record exit, including restructuring, or disposal costs when they are incurred and can be measured at fair value, and subsequently adjust the recorded liability for changes in estimated cash flows. SFAS No. 146 also provides specific guidance on accounting for employee and contract terminations that are part of restructuring activities. The new requirements in SFAS No. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. The implementation of SFAS No. 146 did not have a material impact on the Company's results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections as of April 2002* ("SFAS No. 145"). The Company adopted SFAS No. 145 effective January 1, 2002. This statement eliminates the automatic classification of gain or loss on extinguishments of debt as an extraordinary item and requires that such gain or loss be evaluated for extraordinary classification under the criteria of APB Opinion No. 30, *Reporting the Results of Operations*. This statement also requires sale-leaseback accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and makes various other technical corrections to existing pronouncements. As a result of the adoption of SFAS No. 145, the Company has presented losses on debt extinguishments as a component of other income (expense), net for all periods presented.

In January 2002, the EITF reached a consensus on Issue No. 01-14, *Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred* ("EITF No. 01-14"), which requires that collection and payment of certain fees must be presented on a gross basis, as revenue and expense, rather than on a net basis. Retroactive application of this standard was required. The adoption of EITF No. 01-14 did not have a material impact on the Company's results of operations or financial position.

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In November, 2001 the EITF reached a consensus on Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)* ("EITF No. 01-9"), which addresses the income statement characterization of certain sales incentives provided to customers. EITF No. 01-9 requires that cash incentives given to customers are to be recorded as a reduction of revenue, whereas non-cash incentives are to be recorded as an expense. The adoption of EITF No. 01-9 did not have a material impact on the Company's results of operations or financial position.

In August 2001, the FASB issued SFAS No. 144, which addresses financial accounting and reporting for the impairment or disposal of long-lived assets, which supercedes SFAS No. 121. The Company adopted SFAS No. 144 effective January 1, 2002, and such adoption did not have an impact on the Company's results of operations or financial position. For additional information, see Note 12.

In June 2001, the FASB issued SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company adopted SFAS No. 143 effective January 1, 2003. SFAS No. 143 requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. Certain of the Company's franchise agreements and leases contain provisions which require the Company to restore facilities or remove equipment in the event that the franchise or lease agreement is not renewed. The Company expects to continually renew its franchise agreements and has concluded that the related franchise right is an indefinite-lived intangible asset. Accordingly, the Company is unable to reasonably estimate the fair value of these liabilities because their settlement dates cannot be determined. The Company also expects to renew many of its lease agreements related to the continued operation of its cable business in the franchise areas. For the Company's lease agreements, the liabilities related to the removal provisions are not material.

In July 2001, the FASB issued SFAS No. 142, which, among other things, discontinues the practice of amortizing goodwill and indefinite-lived intangible assets and requires at least an annual review for impairment. Intangible assets with a determinable useful life will continue to be amortized over their useful lives. The Company adopted SFAS No. 142 effective January 1, 2002.

SFAS No. 142 required the Company to reassess the useful lives and residual values of all intangible assets acquired and make any necessary amortization period adjustments by the end of the first quarter of 2002. In addition, to the extent an intangible asset (other than goodwill) was identified as having an indefinite useful life, the Company was required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142. Any impairment loss was measured as of the date of adoption and has been recognized as a cumulative effect of an accounting change. For additional information, see Note 3 and Note 12.

In connection with SFAS No. 142's transitional goodwill impairment evaluation, SFAS No. 142 required the Company to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. To accomplish this, the Company identified its reporting units and determined the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units as of the date of adoption.

The Company determined the fair value of its reporting units using discounted cash flow analyses and other means. The Company then compared the fair value of each reporting unit to the reporting unit's carrying amount. To the extent a reporting unit's carrying amount exceeded its fair value, the Company performed the second step of the transitional impairment test. In the second step, the Company compared the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No.141, to its carrying amount, both of which were measured as of the date of adoption.

As of the date of adoption, the Company had unamortized goodwill in the amount of $3,142, 692,000, unamortized franchise rights of $6,891,942,000 and unamortized other identifiable intangible assets in the amount of

$1,310,634,000. The Company recognized a $1,406,306,000 transitional impairment loss, as a cumulative effect of an accounting change. Such transitional impairment loss included pre-tax impairments of goodwill and franchise rights of $881,610,000 and $524,696,000 respectively. For additional information, see Note 3.

In July 2001, the FASB issued SFAS No. 141, which, among other matters, eliminates the pooling-of-interests method of accounting for business combinations, with limited exceptions for combinations initiated prior to July 1, 2001. In addition, it further clarifies the criteria for recognition of intangible assets separately from goodwill. The Company adopted SFAS No. 141 effective July 1, 2001 and such adoption did not have a material impact on the Company's results of operations or financial position.

SFAS No. 133, as amended by SFAS No. 137, SFAS No. 138 and SFAS No. 149, was effective for the Company as of January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards requiring, among other matters, that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value with changes in fair value reflected in the statement of operations or other comprehensive income. The Company adopted SFAS No. 133 effective January 1, 2001. As a result of the Company's adoption of SFAS No. 133, the Company began carrying certain warrants at fair value. The cumulative effect of this accounting change as of January 1, 2001 was a loss of $4,074,000, net of a tax benefit of $2,739,000.

Note 6: Transactions with the Rigas Family and Rigas Family Entities

The Company has engaged in various transactions that directly or indirectly involved Rigas Family Entities including those entities other than the Rigas Co-Borrowing Entities (the "Other Rigas Entities"). Pursuant to certain co-borrowing arrangements involving the Rigas Co-Borrowing Entities and TelCove, the Company is an obligor of all amounts borrowed under these arrangements, and all amounts outstanding pursuant to such co-borrowing arrangements are included in the Company's debt obligations in the accompanying consolidated balance sheets. For additional information, see Notes 9 and 14. The discussion below includes (i) details of the amounts due from the Rigas Family and Rigas Family Entities, (ii) a summary of the impact of transactions with the Rigas Family and Rigas Family Entities in the Company's consolidated statements of operations, and (iii) descriptions of transactions with the Rigas Family and Rigas Family Entities.

Amounts due from the Rigas Family and Rigas Family Entities

The amounts due from the Rigas Family and Rigas Family Entities are the result of various transactions between the Company and the Rigas Family and Rigas Family Entities. The Company utilizes its cash management system ("CMS") to perform the cash management functions for the Rigas Co-Borrowing Entities and, until mid-2002, performed such functions for certain Other Rigas Entities. Substantially all positive (negative) cash flows of the Rigas Co-Borrowing Entities and certain miscellaneous cash flows of Other Rigas Entities were deposited into (deducted from) the Company's cash accounts. Such amounts affecting the Company's cash accounts, in turn, affected amounts due from the respective entities.

As the Company and the Rigas Family Entities were under common control during the periods in which most of the amounts due from the Rigas Family and Rigas Family Entities were accumulated, such amounts are reported as a reduction of stockholders' equity in the accompanying consolidated financial statements. In general, amounts due from the Rigas Family and Rigas Family Entities are unsecured and have no maturity date and no specified terms for the accrual of interest. Co-borrowing interest was charged to the Rigas Co-Borrowing Entities and was based on the Rigas Co-Borrowing Entities' pro rata share of amounts outstanding under the respective Co-Borrowing Facilities and an assessment of probability of repayment. Interest was also charged to NFHLP and certain Other Rigas Entities pursuant to borrowing agreements. As further described below, once an allowance for uncollectible amounts has been established for amounts owed by a Rigas Family Entity, the cost recovery method is utilized for recognizing co-borrowing and other interest. Under this method, the full amount of interest is deferred until such time as the underlying principal is fully recovered. No accounting recognition is given in the Company's financial statements for the amounts deferred. Additionally, no accounting recognition is given for deferred management fee income from NFHLP, which owned the Buffalo Sabres hockey team, as the amounts are deemed

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uncollectible. The following table shows the amounts due from the Rigas Family and Rigas Family Entities, the impact of co-borrowing and other interest and management fees not recognized, and the allowance for uncollectible amounts, as of the indicated dates.

	December 31,		
	2003	2002	2001
Amounts due from the Rigas Family and Rigas Family Entities, including co-borrowing and other interest deferred and management fees not recognized	$ 3,596,042	$3,469,752	$ 2,757,862
Co-borrowing and other interest deferred and management fees not recognized	(452,341)	(298,622)	(149,421)
Amounts due from the Rigas Family and Rigas Family Entities, net of co-borrowing and other interest deferred and management fees not recognized	3,143,701	3,171,130	2,608,441
Allowance for uncollectible amounts	(2,343,352)	(2,337,855)	(575,614)
Amounts due from the Rigas Family and Rigas Family Entities, net	$ 800,349	$ 833,275	$ 2,032,827

Changes in the amounts due from the Rigas Family and Rigas Family Entities are presented below in total and separately for (i) the Rigas Co-Borrowing Entities, (ii) NFHLP, and (iii) the Rigas Family and Other Rigas Entities (excluding NFHLP) for the indicated periods. Amounts due from the Rigas Family and Rigas Family Entities are net of interest and management fees billed but not recognized. Certain transactions between the Rigas Family and Rigas Family Entities and the Company did not affect amounts due from the Rigas Family and Rigas Family Entities because they were generally settled immediately in cash. These transactions are presented separately for the indicated periods (amounts in thousands). Lettered footnotes are described further below in this Note 6.

	Year ended December 31, 2001			
	Amounts due from Rigas Co-Borrowing Entities (a)	Amounts due from NFHLP (b)	Amounts due from the Rigas Family and Other Rigas Entities (c)	Total amounts due before deducting allowance
Balance at January 1, 2001	$ 933,202	$ 119,781	$ 701,460	$ 1,754,443
Funding by the Company for debt service	151,485	—	—	151,485
Repayment of debt service by Rigas Family Entities	(151,250)	—	—	(151,250)
Funding by the Company for operations and other activities	169,082	71,761	99,363	340,206
Deposits in the Company's CMS for operations and other activities	(168,010)	(68,806)	(50,848)	(287,664)
Deposits in the Company's CMS for interest on Adelphia and TelCove debt securities held by the Rigas Family and Rigas Family Entities	—	—	(12,000)	(12,000)
Management fees and other costs charged	11,155	—	—	11,155

by the Company to Rigas Family Entities				
Co-borrowing interest charged to Rigas Family Entities	35,661	—	—	35,661
Transaction fees charged to Rigas Family Entities	6,056	—	—	6,056
Purchase of Adelphia securities by Rigas Family Entities	—	—	421,715	421,715
Acquisitions of cable systems	—	—	345,251	345,251
Difference between fair values of cable systems acquired and surrendered by Rigas Family Entities in exchange transactions	2,503	—	—	2,503
Net revenue earned from cooperative advertising	—	1,346	—	1,346
Programming rights charges from NFHLP	—	(6,264)	—	(6,264)
Production reimbursements from NFHLP	—	1,111	—	1,111
Treasury stock issued on behalf of NFHLP	—	2,625	—	2,625
Reduction of liabilities incurred under Company contracts for expenses of Rigas Family Entities	(6,269)	—	—	(6,269)
Other non-cash activity, net	(11,590)	7,766	2,155	(1,669)
Balance at December 31, 2001	$ 972,025	$ 129,320	$1,507,096	$2,608,441
Other transactions with Rigas Family Entities not included above (settled in cash):				
Charges from Rigas Family Entities	$ —	$ —	$ (2,665)	$ (2,665)
Capital goods purchased from Rigas Family Entities	$ —	$ —	$ (14,135)	$ (14,135)

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	Year ended December 31, 2002			
	Amounts due from Rigas Co-Borrowing Entities (a)	Amounts due from NFHLP (b)	Amounts due from the Rigas Family and Other Rigas Entities (c)	Total amounts due before deducting allowance
Balance at January 1, 2002	$ 972,025	$ 129,320	$ 1,507,096	$ 2,608,441
Funding by the Company for operations and other activities	112,650	29,682	185,249	327,581
Deposits in the Company's CMS for operations and other activities	(174,258)	(27,489)	—	(201,747)
Deposits in the Company's CMS for interest on Adelphia debt securities held by the Rigas Family and Rigas Family Entities	—	—	(11,521)	(11,521)
Management fees and other costs charged by the Company to Rigas Family Entities	17,494	—	—	17,494
Co-borrowing interest charged to Rigas Family Entities	10,556	—	—	10,556
Purchase of Adelphia securities by Rigas Family Entities	—	—	393,569	393,569
Sale of land owned by Rigas Family Entities	—	—	(465)	(465)
Net revenue earned from cooperative advertising arrangement with NFHLP	—	1,151	—	1,151
Programming rights charges from NFHLP	—	(9,961)	—	(9,961)
Production reimbursements from NFHLP	—	406	—	406
Liabilities incurred under Company contracts for expenses of Rigas Family Entities	20,928	—	—	20,928
Other non-cash activity, net	(3,305)	15,563	2,440	14,698
Balance at December 31, 2002	$ 956,090	$ 138,672	$ 2,076,368	$ 3,171,130
Other transactions with Rigas Family Entities not included above (settled in cash):				
Charges from Rigas Family Entities	$ —	$ —	$ (2,321)	$ (2,321)
Capital goods purchased from Rigas Family Entities	$ —	$ —	$ (2,237)	$ (2,237)

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	Year ended December 31, 2003			
	Amounts due from Rigas Co-Borrowing Entities (a)	Amounts due from NFHLP (b)	Amounts due from the Rigas Family and Other Rigas Entities (c)	Total amounts due before deducting allowance
Balance at January 1, 2003	$ 956,090	$138,672	$2,076,368	$3,171,130
Funding by the Company for operations and other activities	96,086	—	7	96,093
Deposits in the Company's CMS for operations and other activities	(168,290)	(2)	(1)	(168,293)
Management fees and other costs charged by the Company to Rigas Family Entities	22,217	—	—	22,217
Amounts to fund legal defense of Rigas Family	10,767	—	—	10,767
Liabilities incurred under Company contracts for expenses of Rigas Family Entities	3,018	—	—	3,018
Other non-cash activity, net	9,543	(774)	—	8,769
Balance at December 31, 2003	$ 929,431	$137,896	$2,076,374	$3,143,701
Other transactions with Rigas Family Entities not included above (settled in cash):				
Charges from Rigas Family Entities	$ —	$ —	$ (975)	$ (975)

The Company has separately assessed the collectibility of the amounts due from each of the Rigas Family and Rigas Family Entities at the end of each reporting period. Prior to the Petition Date, the Company considered these amounts to be collateral dependent loans under SFAS No. 114, *Accounting by Creditors for Impairment of a Loan,* and SFAS No. 118, *Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures.* The Company adjusted the allowance for uncollectible amounts based on increases or decreases in the estimated values of the underlying net assets available to each of the Rigas Family and Rigas Family Entities for repayment of amounts advanced. The Company's assessment of collectibility was based on an orderly sale of the Rigas Family's and Rigas Family Entities' underlying assets and did not apply current changes in circumstances to prior periods. For example, the most significant impairment recognition occurred in June 2002 when the Debtors filed for bankruptcy protection due to the dramatic effect that the filing had on the value of the underlying assets available for repayment of the advances. Subsequent to the Petition Date, the Company ceased the recognition of increases in the values of the underlying assets of the Rigas Family Entities. Once an allowance had been established against all or part of the amount owed to the Company by a Rigas Family Entity, the Company adopted the cost recovery method for purposes of recognizing co-borrowing and other interest. Under this method, the full amount of interest is deferred until such time as the underlying principal is fully recovered. No accounting recognition is given in the Company's financial statements for the amounts deferred. Additionally, no accounting recognition is given for deferred management fee income from NFHLP, which owned the Buffalo Sabres hockey team, as the amounts are deemed uncollectible. The DoJ is seeking an order of forfeiture against certain members of the Rigas Family. See Note 21 for additional information.

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Changes in the allowance for uncollectible amounts due from the Rigas Family and Rigas Family Entities are presented below (amounts in thousands): Lettered footnotes are described further below in this Note 6.

	Allowance for uncollectible amounts due from:			
	Rigas Co-Borrowing Entities (a)	NFHLP (b)	The Rigas Family and Other Rigas Entities (c)	Total allowance for uncollectible amounts
Balance at January 1, 2001*	$ 281,743	$ 69,100	$ 1,840	$ 352,683
Provision for uncollectible amounts (1)	(181,368)	—	404,299	222,931
Balance at December 31, 2001	100,375	69,100	406,139	575,614
Provision for uncollectible amounts	51,953	68,796	1,641,492	1,762,241
Balance at December 31, 2002	152,328	137,896	2,047,631	2,337,855
Provision for uncollectible amounts	5,497	—	—	5,497
Balance at December 31, 2003	$ 157,825	$ 137,896	$ 2,047,631	$ 2,343,352

* Restated. See Note 4.

(1) The $181,368,000 reduction of the allowance for uncollectible amounts during 2001 is due primarily to an increase in the value of the underlying assets available for repayment. This increase is due, in part, to an acquisition of cable systems by the Rigas Co-Borrowing Entities that was partially funded by the Other Rigas Entities, principally with advances from the Company.

Impact of Transactions with the Rigas Family and Rigas Family Entities on Consolidated Statements of Operations

The effects of various transactions between the Company and the Rigas Family and Rigas Family Entities on certain line items included in the accompanying consolidated statements of operations are summarized below for the indicated periods. The amounts in the table are net of any allowance for uncollectible amounts (amounts in thousands): Lettered footnotes are described further below in this Note 6.

	Year ended December 31,		
	2003	2002	2001
Revenue:			
Net revenue from cooperative advertising arrangement with NFHLP(b)	$ —	$ 1,151	$ 1,346
Expenses:			
Direct operating and programming:			
Programming rights paid to NFHLP(b)	$ —	$ 9,961	$ 6,264
Production reimbursements from NFHLP(b)	—	(406)	(1,111)
Total included in direct operating and programming	$ —	$ 9,555	$ 5,153
Selling, general and administrative:			
Management fees and charges to:			
Managed Cable Entities(a)	$(22,217)	$(17,494)	$(11,155)
Charges from:			
Rigas Family and Other Rigas Entities(c)	975	2,321	2,665
Total included in selling, general and	$(21,242)	$(15,173)	$ (8,490)

administrative			
Accrued interest expense on Adelphia and TelCove debt securities held by Other Rigas Entities	$ —	$(10,343)	$(13,897)

(a) Rigas Co-Borrowing Entities

The Company provides management and administrative services, under written and unwritten enforceable agreements, to the Managed Cable Entities. All of the Managed Cable Entities are also Rigas Co-Borrowing Entities. In those circumstances where a written management agreement exists, a management fee is charged to the Managed Cable Entity in accordance with the written agreement. Such management agreements generally provide for a management fee based on a percentage of revenue plus reimbursements for expenses incurred by the Company on behalf of the Managed Cable Entities. Under unwritten agreements, the Company charged the Managed Cable Entities their share of costs incurred by the Company, as well as reimbursable expenses. Such charges are generally based upon the Managed Cable Entities' share of revenue or subscribers, as appropriate. The management fees actually paid by the Managed Cable Entities are generally limited by the terms of the applicable Co-Borrowing Facility. The amounts charged to the Managed Cable Entities pursuant to these arrangements are included in management fees and other charges to the Managed Cable Entities in the foregoing table and have been reflected as a reduction of costs and expenses in the accompanying consolidated statements of operations.

The Company performs all of the cash management functions of the Rigas Co-Borrowing Entities. As such, positive (negative) cash flows of the Rigas Co-Borrowing Entities are generally deposited into (deducted from) the Company's cash accounts. In addition, the personnel of the Rigas Co-Borrowing Entities are employees of the Company, and substantially all of the cash operating expenses and capital expenditures of the Rigas Co-Borrowing Entities are charged to the Rigas Co-Borrowing Entities by the Company based on the terms of the applicable vendor agreements. Such charges represent amounts incurred by the Company on behalf of the Rigas Co-Borrowing Entities, and the amounts charged are determined by reference to the terms of third party invoices or agreements. Accordingly, while this activity affects the amounts due from the Rigas Family and Rigas Family Entities, the Company does not include any of these charges as related party transactions to be separately reported in its consolidated statements of operations. The most significant of these expenditures incurred by the Company on behalf of the Rigas Co-Borrowing Entities include third party programming charges, employee related charges and third party billing service charges which are shown in the following table (amounts in thousands):

	Year ended December 31,		
	2003	2002	2001
Programming charges from third party vendors	$48,228	$43,404	$35,180
Employee related charges	20,543	20,522	19,146
Billing charges from third party vendors	3,009	2,662	1,806
	$71,780	$66,588	$56,132

In the accompanying consolidated financial statements, the Company has recognized all liabilities incurred under these arrangements on behalf of the Rigas Co-Borrowing Entities which are shown in the following table (amounts in thousands):

	Year ended December 31,		
	2003	2002	2001
Liabilities accrued by the Company for amounts incurred on behalf of the Rigas Co-Borrowing Entities	$51,644	$48,626	$27,698

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The Company charged transaction fees with respect to debt financing obtained and acquisitions arranged for certain of the Rigas Co-Borrowing Entities during 2001. For accounting purposes, the excess of the transaction fees charged by the Company over the actual costs associated with obtaining the debt financing or arranging the acquisitions has been reflected as an adjustment to additional paid-in capital. During 2001, the aggregate fees charged to the Rigas Co-Borrowing Entities were $6,056,000 and the aggregate excess transaction fees charged to additional paid-in capital were $5,706,000.

On July 5, 2000, the Company acquired 100% of the stock of Prestige Communications, Inc. ("Prestige Communications"), an entity that owns and operates cable systems, and all of the cable television assets of Prestige Communications NC, Inc. ("Prestige of North Carolina"), from an unrelated third party for an aggregate cash purchase price of $1,093,802,000. Pursuant to a June 13, 2000 letter-agreement between the Company and Highland Prestige Georgia, Inc. ("Highland Prestige"), an entity owned by members of the Rigas Family, the Company transferred 100% of the stock of Prestige Communications to Highland Prestige. As a result of this transaction, Prestige Communications became one of the Managed Cable Entities effective July 5, 2000.

On January 1, 2001, the Company, the Managed Cable Entities and Comcast Corporation ("Comcast") participated in an exchange of cable systems. As a result of this transaction, the Company and the Managed Cable Entities acquired from Comcast approximately 418,000 and 25,000 subscribers (unaudited), respectively, and surrendered to Comcast approximately 443,000 and 26,000 subscribers (unaudited), respectively. The fair values of the cable systems acquired ($114,082,000) and surrendered ($111,579,000) by the Managed Cable Entities were based on third-party appraisals, and the difference between such fair values was recorded as a $2,503,000 increase in the amounts due from the Managed Cable Entities. For additional information, see Note 8.

During the third quarter of 2003, the Bankruptcy Court approved a stipulation and order that, among other things, allowed certain members of the Rigas Family to cause the Managed Cable Entities to pay up to $15,000,000 of certain legal defense costs on their behalf. The stipulation and order also set forth the terms pursuant to which the Company could continue to manage the Managed Cable Entities. On February 18, 2004, the Bankruptcy Court approved the request of such Rigas Family members for an additional $12,800,000 to be advanced by the Managed Cable Entities for criminal defense costs only, and the Bankruptcy Court issued an order to this effect on March 9, 2004. Adelphia and the Creditors' Committee appealed the March 9, 2004 order and on September 27, 2004, the United States District Court for the Southern District of New York (the "District Court") vacated the March 9 order and remanded for further findings of fact relating to whether the Rigases had any entitlement to funds out of the Managed Cable Entities for their personal defense. On September 14, 2004, certain members of the Rigas Family filed a motion requesting approximately $11,000,000 of additional funding for civil and criminal defense costs, which is still pending. On November 8, 2004, a hearing regarding evidentiary issues relating to the Rigas Family members' latest motion occurred, at which time the Bankruptcy Court granted Adelphia's motion to exclude certain evidence. Another evidentiary hearing was held on November 22, 2004 concerning the ability of the Rigas Family members to obtain additional funding of attorney fees both pursuant to the request which was granted but vacated by the District Court and the latest request for an additional $11,000,000. The Bankruptcy Court has not yet ruled on the Rigas Family members' motions. Pursuant to a stipulation and order, the Managed Cable Entities had accrued aggregate Rigas Family defense costs of $10,767,000 through December 31, 2003, including $8,641,000 that had been advanced to such Rigas Family members as of such date. Subsequent to December 31, 2003, the remaining $17,033,000 of then approved advances was drawn by the Rigas Family. As the Rigas Family defense costs were accrued and paid on behalf of the Managed Cable Entities, the accrual of such costs results in an increase in the amounts due to the Company from the Managed Cable Entities.

(b) NFHLP

In March 1998, the Rigas Family entered into a Funding and Purchase Agreement that, among other things, set forth the terms for the Rigas Family's acquisition of a controlling interest in NFHLP. At that time, the Rigas Family assumed responsibility for operating and funding NFHLP. The Rigas Family subsequently caused the Company to provide the necessary funding to NFHLP. The amounts advanced to NFHLP have been included in the amounts due from the Rigas Family and Rigas Family Entities for all periods presented as the Rigas Family Entities acquired a controlling interest in NFHLP in the third quarter of 2000. In March 2000, the Company paid $34,081,000 to purchase, at a $7,785,000 discount, two loans made by banks to NFHLP in anticipation of an acquisition by the Rigas Family Entities of NFHLP partnership interests owned by other investors. During the third quarter of 2000 (i) the Rigas Family Entities acquired the partnership interests not owned by the Company from an unrelated investor group for $9,650,000 and (ii) in connection with a consent agreement with the National Hockey League ("NHL"), NFHLP completed a recapitalization that resulted in the conversion of the Company's preferred units, and convertible subordinated capital funding notes, and all but $9,600,000 of cash advances to partially and fully subordinated notes due July 10, 2010. Subsequent to the recapitalization, the Company forgave the portion of the loans purchased from the banks equal to the $7,785,000 discount.

In August 2000, the Company issued 325,000 shares of its treasury stock to the NHL on behalf of NFHLP to satisfy a NHL collective bargaining escrow requirement. Based on a subsequent decline in the market value of the Company's stock, in October 2001, the Company issued 125,000 additional shares of treasury stock with a then fair value of $2,625,000 on behalf of NFHLP. The fair value of the shares at the respective dates of issuance has been recognized as an increase in amounts owed to the Company by NFHLP. The difference between the amounts advanced and the historical cost of the treasury stock has been recognized as a reduction of additional paid-in capital of $2,782,000 in 2001.

Prior to January 1, 2001, the Company recorded a $69,100,000 allowance against its advances to NFHLP to reflect such advances at net realizable value. During 2002, the Company recorded an increase to the allowance of $68,796,000. Such increase reflects amounts required to adjust the carrying value to net realizable value. In addition, the 2002 increase includes (i) a $38,077,000 charge related to the Company's decision to discontinue funding NFHLP and to work with the NHL to seek a buyer for NFHLP and (ii) a $30,719,000 charge related to the Company's conclusion, after conducting negotiations with several potential buyers, that it would not recover any of its advances to NFHLP. The Company received no proceeds in connection with the closing of the sale of NFHLP in April 2003.

During 2002 and 2001, NFHLP charged the Company for broadcast rights to the Buffalo Sabres hockey games and for luxury suites, tickets, advertising and other entertainment costs. During 2002 and 2001, the Company received net revenue and reimbursements for production costs from NFHLP related to a cooperative advertising arrangement between the Company and NFHLP. The amounts charged to and received by the Company pursuant to these arrangements are set forth in the foregoing table summarizing the effects of transactions with the Rigas Family Entities in the accompanying consolidated statements of operations.

The Company charged management fees and interest to NFHLP during 2002 and 2001. Due to the fact that collectibility was not assured, the Company did not recognize any income with respect to such management fees and interest. The Company used facilities owned by NFHLP from 1999 through the second quarter of 2003. No rent was charged to the Company for the use of such facilities. The Company renovated such facilities in 2000 at a cost of $849,000. The book value of such renovation costs was written-off by the Company in 2003 when the property was vacated. In 2000, the Company guaranteed a third party loan to NFHLP with an aggregate principal amount of $27,637,000, which guarantee was collateralized by letters of credit. The Company was relieved of this contingent obligation as a result of the April 2003 sale of NFHLP.

During the first quarter of 2002, NFHLP and certain of its subsidiaries filed voluntary petitions to reorganize under Chapter 11, and during the fourth quarter of 2003, NFHLP and certain of its subsidiaries asserted certain claims against the Company. For additional information, see Note 21.

(c) Transactions with Other Rigas Entities

Purchase of Adelphia Securities by Other Rigas Entities. Adelphia and TelCove have issued debt and equity securities to certain Other Rigas Entities. Details of the securities issued to these Other Rigas Entities for the years 2001 through 2003 are set forth in the following table (dollars in thousands):

Date issued	Securities purchased by Other Rigas Entities	Purchase price on agreement date	Interest factor	Total purchase price to Other Rigas Entities
January 22, 2002	$400,000 aggregate principal amount of 3.25% Convertible Subordinated Notes due 2021 (the "3.25% Notes") under an agreement dated April 19, 2001*	$391,000	$ 2,569	$393,569
October 22, 2001	5,819,367 shares of Class B Common Stock under an agreement dated January 17, 2001	250,000	9,862	259,862
October 22, 2001	$167,376 aggregate principal amount of 6% Convertible Subordinated Notes due 2006 (the "6% Notes") under an agreement dated January 17, 2001*	162,773	(920)	161,853
	Total 2001 purchases	412,773	8,942	421,715
	Total securities purchases	$803,773	$ 11,511	$815,284

* The Convertible Subordinated Notes held by the Other Rigas Entities were convertible into Class B Common Stock, and the Convertible Subordinated Notes held by the public were convertible into Class A Common Stock. All terms, including the conversion ratios, of the Convertible Subordinated Notes held by the public were otherwise identical to the Notes held by the Other Rigas Entities. For additional information, see Note 14.

The previous table summarizes Adelphia securities purchased by Other Rigas Entities for the periods presented. The Company did not receive cash as a result of the issuance of these securities, but rather the respective purchase prices are reflected as increases to amounts due from the Rigas Family and Rigas Family Entities in the accompanying consolidated balance sheets. The purchase price of each securities issuance was based on the fair value of the securities on the date that terms were reached. For debt securities, the price discounts received by the Other Rigas Entities of $9,000,000 for the 3.25% Notes and $4,603,000 for the 6% Notes are being amortized to interest expense over the life of the securities with such amortization ceasing at the Petition Date consistent with the Company's treatment of other debt instruments. As the equity securities were issued to entities controlled by the Rigas Family, the majority of whom were employees of the Company, the Company recognized compensation expense (benefit) for these equity securities under APB Opinion No. 25. Accordingly, the difference between the purchase price of the securities and their market price is reflected as adjustments to compensation expense from the agreement date through the date the securities are issued. No cumulative compensation expense was recorded for the year ended December 31, 2001 for the January 2001 purchase of Class B Common Stock because the purchase price exceeded the fair market value of the securities on their issuance date. The securities purchase agreements also provided that the Other Rigas Entities be charged (receive) interest on the purchase price of each securities issuance from the agreement date through the issuance date, which was generally nine months (the "interest factor"). The interest factor for each securities issuance has been reflected as an adjustment to additional paid-in capital.

On November 9, 2001, Adelphia agreed to issue 7,500,000 shares of Class B Common Stock and 2,000,000 shares of 7.5% Series E Mandatory Convertible Preferred Stock, par value of $0.01 per share ("Series E Preferred Stock"), to the Other Rigas Entities no later than August 12, 2002 for aggregate cash consideration of $202,550,000. To date, such shares have not yet been issued; nor has cash consideration been received. Accordingly, the shares are not issued and outstanding in the Company's consolidated financial statements. Compensation expense (benefit) recorded related to these securities was $(101,000,000) and $101,000,000 during 2002 and 2001, respectively.

From 1998 through 2002, the Company advanced funds to ErgoArts, Inc., an entity wholly-owned by John J. Rigas and his daughter Ellen Rigas Venetis, and SongCatcher Films, LLC, an entity in which John J. Rigas and Ellen Rigas Venetis held equity interests. At December 31, 2003, the outstanding balance due to the Company from ErgoArts and SongCatcher Films under these arrangements was approximately $677,000 and $3,100,000, respectively. The advances to ErgoArts were made principally in connection with the development and potential production of documentary films. These advances are included in "*Funding by the Company for operations and other activities*" in the preceding summary tables of changes in the "*Amounts due from the Rigas Family and Rigas Family Entities.*"

Certain members of the Rigas Family and certain of the Other Rigas Entities entered into margin loan agreements with various investment banks and other financial institutions and pledged equity and debt securities issued by the Company to secure such loans. Although the total amount of these margin loans is unknown, from July 2000 to May 2002, certain members of the Rigas Family and certain of the Other Rigas Entities have made approximately $252,000,000 of payments in connection with margin calls. Funds for these margin call payments came from the CMS, and are included in "*Funding by the Company for operations and other activities*" in the preceding summary tables of changes in the "*Amounts due from the Rigas Family and Rigas Family Entities.*"

Amounts Charged to the Company by the Rigas Family and the Other Rigas Entities for Services and Capital Goods.

The Rigas Family and the Other Rigas Entities provided services and capital goods to the Company in exchange for consideration that may or may not have been equal to the fair value of such services and goods. Such services and capital goods are summarized in the following table (amounts in thousands):

	Year ended December 31,		
	2003	2002	2001
Services provided to the Company by the Rigas Family and Other Rigas Entities:			
Management services (1)	$ 975	$ 1,300	$ 975
Facility management and maintenance services (2)	—	860	1,470
Rent paid to the Rigas Family and Other Rigas Entities (3)	—	74	83
Other (4)	—	87	137
Total charges for services provided by the Rigas Family and Other Rigas Entities	$ 975	$ 2,321	$ 2,665
Capital goods acquired from Other Rigas Entities			
Furniture, fixtures and related design and installation services (5)	$ —	$ 2,167	$ 13,623
Capital improvements (2)	—	70	512
Total charges for capital goods acquired from Other Rigas Entities	$ —	$ 2,237	$ 14,135

(1) Adelphia owns a 99.5% limited partnership interest in Praxis Capital Ventures, L.P. ("Praxis"), a consolidated subsidiary of Adelphia. Formed in June 2001, Praxis was primarily engaged in making

private equity investments in the telecommunications market. Adelphia committed to provide $65,000,000 of capital to Praxis, of which $8,500,000 was invested by Praxis during 2002 and 2001. The Rigas Family owns membership interests in both the Praxis general partner and the company that manages Praxis. The Praxis management company charged a management fee to Adelphia at an annual rate equal to 2% of the capital committed by Adelphia. During 2003, 2002 and 2001, the Company recorded reserves of $300,000, $148,000 and $7,252,000, respectively, against the carrying value of certain Praxis investments. By order dated October 20, 2003, the Debtors rejected the Praxis partnership agreement under applicable bankruptcy law. Rejection may give rise to pre-bankruptcy unsecured damages claims that are included in liabilities subject to compromise at the amounts expected to be allowed. As of December 31, 2003, the Company had accrued $1,300,000 in management fees under the Praxis partnership agreement which represents management fees due prior to rejection of the partnership agreement. For additional information, see Note 2.

(2) Through December 2002, Wending Creek Farms, Inc. ("Wending Creek"), an entity owned by the Rigas Family, performed various facility management and maintenance services for the Company. Wending Creek also performed capital improvements for the Company.

(3) The Company rented various condominiums and apartments, as well as certain office and warehouse space, from the Rigas Family and the Other Rigas Entities.

(4) Represents amounts charged by the Other Rigas Entities for various administrative and other services.

(5) The Company purchased furniture, fixtures and related design and installation services from certain of the Other Rigas Entities. Due to the fact that the Company and such Other Rigas Entities were under common control at the time such purchases were made, such Other Rigas Entities' mark-up on such transactions, which aggregated $205,000 and $1,600,000 for 2002 and 2001, respectively, were treated as an adjustment of additional paid-in capital.

Other Transactions Involving the Rigas Family Entities.

Century/ML Cable. In connection with the December 13, 2001 settlement of a dispute, Adelphia, Century, Century/ML Cable, ML Media Partners, L.P. ("ML Media") and Highland Holdings ("Highland"), a Rigas Family Entity, entered into a Leveraged Recapitalization Agreement (the "Recap Agreement") pursuant to which Century/ML Cable agreed to redeem ML Media's 50% interest in Century/ML Cable (the "Redemption") on or before September 30, 2002 for a purchase price between $275,000,000 and $279,800,000, depending on the timing of such redemption, plus interest. Among other things, the Recap Agreement provided that (i) Highland would arrange debt financing for the Redemption, (ii) Highland, Adelphia and Century would jointly and severally guarantee debt service on and after the closing and (iii) Highland and Century would own 60% and 40% interests, respectively, in the recapitalized Century/ML Cable. Under the terms of the Recap Agreement, Century's 50% interest in Century/ML Cable was pledged to ML Media as collateral for Adelphia's obligations. On or about December 18, 2001, Adelphia placed $10,000,000 on deposit on behalf of Highland as earnest funds for the transaction. During June of 2002, ML Media withdrew the $10,000,000 from escrow following the Bankruptcy Court's approval of the release of these funds to ML Media. Simultaneously with the execution of the Recap Agreement, ML Media, Adelphia and certain of its subsidiaries entered into a stipulation of settlement, pursuant to which certain litigation between them was stayed pending the Redemption. By order dated September 17, 2003, Adelphia and Century rejected the Recap Agreement under applicable bankruptcy law. Adelphia has not accrued any liability for damage claims related to the rejection of the Recap Agreement. For additional information regarding the bankruptcy proceedings, see Note 2. Adelphia and Century/ML Cable have challenged the Recap Agreement and the Redemption as unenforceable on fraudulent transfer and other grounds, and Adelphia, Century, Highland, Century/ML and ML Media are engaged in litigation regarding the enforceability of the Recap Agreement. In this regard, ML Media filed an amended complaint against Adelphia on July 3, 2002 in the Bankruptcy Court. For additional information concerning this litigation, see Note 21. On April 15, 2004, the Bankruptcy Court dismissed all counts of Adelphia's challenge of the Recap Agreement except for its allegation that

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(Debtors-In-Possession)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

ML Media aided and abetted a breach of fiduciary duties in connection with its execution. The court also allowed Century/ML Cable's action to avoid the Recap Agreement as a fraudulent conveyance to proceed. ML Media, Adelphia and Century are engaged in a process exploring the potential sale of the venture to a third party, and from time to time have explored other potential transactions relating to Century/ML Cable.

Timber Rights. In February 2000, the Company acquired timber rights for a 3,656-acre parcel of property from an unrelated third party for a cash purchase price of $26,535,000. Simultaneously, one of the Other Rigas Entities purchased the 3,656-acre parcel of land for a cash purchase price of $465,000. The timber rights sale agreement contained a provision stipulating that ownership of the timber rights would be transferred to such Other Rigas Entities as a part of the consideration to be received by the Other Rigas Entities for any change in control transaction that would cause the cumulative voting percentage of the Rigas Family in Adelphia to fall below 50%. On June 13, 2002, both the land and timber rights were sold to an unrelated third party for an aggregate cash purchase price of $20,000,000. In connection with such sale, the Company has recorded a $465,000 decrease to the amounts due to Rigas Family and Rigas Family Entities and a $6,747,000 loss on disposition. Such loss is included in gains (losses) on disposition of long-lived assets and cable system exchanges in the accompanying consolidated statements of operations.

Coudersport Golf Course. Beginning in the fourth quarter of 2000, the Company commenced construction of a golf course on land near Coudersport, Pennsylvania. Although the Company owned a small portion of this land, the majority was owned by the Other Rigas Entities. The Company paid for and capitalized all costs of construction, which costs amounted to $13,571,000 through May 2002 when construction was ceased. As a result of the decision to cease construction, the Company recorded an impairment loss of $13,236,000 during the second quarter of 2002. Such loss is included in impairment of long-lived assets in the accompanying consolidated statements of operations.

Briar's Creek Golf Membership. On October 31, 2000, the Company paid $600,000 to acquire a membership interest in Briar's Creek Golf, LLC and $100,000 for a Founder's membership deposit. Such membership was used primarily by members of the Rigas Family. The Company also paid dues totaling $6,000 per year in connection with this membership. For purposes of the accompanying consolidated financial statements, all of the costs and expenses associated with this membership have been treated as costs and expenses of the Company. The $600,000 membership interest was written-off by the Company during the second quarter of 2002. Such write-off is included in impairment of cost and available-for-sale investments in the accompanying consolidated statements of operations. The Company resigned its Founder's membership interest in May 2004 and will receive a refund of an amount approximating the $100,000 deposit over a three year period.

Use of Company Assets. Members of the Rigas Family used the Company aircraft at the expense of the Company. The Company also paid corporate credit card invoices submitted by members of the Rigas Family. Due to the nature of the charges and the lack of documentation submitted by the Rigas Family members, the Company has been unable to determine which portions of these expenditures were personal in nature or related to the business affairs of the Rigas Family Entities. Accordingly, all of the amounts paid by the Company with respect to these items have been accounted for as expenses of the Company in the accompanying consolidated statements of operations.

Rigas Family Employees. Through May 2002, (i) John J. Rigas and his sons Michael J. Rigas, Timothy J. Rigas and James P. Rigas each served as an executive officer and director of the Company and (ii) Peter L. Venetis, John J. Rigas's son-in law, served as a director of the Company. In addition, Ellen Rigas Venetis, the daughter of John J. Rigas, was employed by the Company to perform certain community services during 2002 and 2001 for an annual salary of $61,000. Ms. Venetis never served as an officer or director of the Company. The Company has treated all wages paid to members of the Rigas Family as expenses of the Company.

Registration Rights. Substantially all of the shares of Class A Common Stock, Class B Common Stock and securities convertible into Class A or Class B Common Stock owned by the Other Rigas Entities have been registered by Adelphia on registration statements or are subject to pre-bankruptcy registration rights agreements or arrangements for registration in the future.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Other Agreements and Arrangements with the Rigas Family and Rigas Family Entities.

Rigas Family Agreement. On May 23, 2002, Adelphia entered into an agreement (the "Rigas Family Agreement") with John J. Rigas, Timothy J. Rigas, James P. Rigas and Michael J. Rigas, acting in their individual capacities and on behalf of each entity directly or indirectly controlled by any or all of them (collectively, the "Contracting Rigas Family Members") that, among other items, provided for (i) the resignation of the Contracting Rigas Family Members from their positions as executive officers of Adelphia and members of the Board, (ii) the placement of all shares of Adelphia Common Stock owned by the Contracting Rigas Family Members into a voting trust until all obligations of the Contracting Rigas Family Members to the Company for borrowed money are satisfied, with the voting of such shares to be directed by a Special Committee of the Board through Adelphia's 2004 annual meeting and thereafter to be voted in proportion to the votes cast by all other holders of Adelphia shares, (iii) the use of all of the free cash flow of the Managed Cable Entities to repay amounts owed by the Contracting Rigas Family Members as primary obligors in respect of the Co-Borrowing Facilities and the pledge of the Contracting Rigas Family Members' equity interests in the Managed Cable Entities to the Company until all amounts owed by the Contracting Rigas Family Members to the Company in respect of borrowed money are satisfied, (iv) the transfer of the stock or assets of the Managed Cable Entities from the Contracting Rigas Family Members to the Company in exchange for a payment equal to the taxes incurred by the Contracting Rigas Family Members as a result of such transfer and a reduction in the amounts owed by the Contracting Rigas Family Members as primary obligors in respect of the Co-Borrowing Facilities, with the amount of such reduction to be based on third party appraisals, less the payment with respect to taxes to be incurred by the Contracting Rigas Family Members in connection with such transfer, (v) the transfer of approximately $567,000,000 of the Company's debt held directly or indirectly by the Contracting Rigas Family Members to the Company in exchange for an equivalent reduction in the amounts owed by the Contracting Rigas Family Members (1) to the Company in respect of existing stock purchase agreements and (2) as primary obligors in respect of the Co-Borrowing Facilities, (vi) the pledge of all shares of Adelphia Common Stock owned directly or indirectly by the Contracting Rigas Family Members to secure the repayment of the Co-Borrowing Facilities and the repayment of any indemnification payments made by the Company to Contracting Rigas Family Members pursuant to the terms of the Rigas Family Agreement, (vii) the accrual of interest on amounts owed by the Contracting Rigas Family Members under the Co-Borrowing Facilities at a rate of 6% per annum, to be paid on December 31, 2006, or earlier if amounts due under the Co-Borrowing Facilities are prepaid, (viii) the transfer of a 3,656 acre parcel of land underlying certain timber rights of the Company by the Contracting Rigas Family Members to the Company in exchange for a $465,000 reduction in the amounts owed by the Contracting Rigas Family Members as primary obligors in respect of the Co-Borrowing Facilities, (xi) the Company's honoring its prior commitment to provide severance arrangements to John J. Rigas, including a $1,400,000 annual cash payment for three years, lifetime healthcare coverage for Mr. Rigas and his spouse, the use of office space, equipment and a secretary, vested stock options exercisable for their term and the use of the Company's aircraft in certain limited circumstances and (x) the termination of the aforementioned severance arrangements in the event Mr. Rigas is convicted of a felony.

The Company has not yet determined whether to assume or reject the Rigas Family Agreement under applicable bankruptcy law. In addition, it is unclear whether the voting provision of the voting trust is enforceable under applicable law. Accordingly, other than the aforementioned $465,000 reduction of the amounts owed by the Contracting Rigas Family Members as primary obligors in respect of the Co-Borrowing Facilities, no economic effect has been given to the Rigas Family Agreement in the consolidated financial statements. In addition, such consolidated financial statements do provide for the accrual of the severance arrangements for John J. Rigas, which were reiterated in the Rigas Family Agreement and are summarized above, as well as the subsequent July 2004 reduction of this previously accrued amount as a result of the guilty verdict returned against John J. Rigas.

Business Opportunity Agreement. The Rigas Family and Rigas Family Entities are parties to the Business Opportunity Agreement, dated July 1, 1986, under which they have agreed not to acquire an interest in any cable system, subject to limited exceptions. Under the Business Opportunity Agreement, the Rigas Family Entities must first offer to Adelphia the opportunity to acquire or invest in any cable system or franchise therefore or interest therein that is offered or available to them. If a majority of Adelphia's Board of Directors, including a majority of the independent directors, rejects such offer, the Rigas Family Entities may acquire or invest in all of such cable systems or franchises therefore or interest therein or with others on terms no more favorable to them than those offered to Adelphia. During 2001, pursuant to the Business Opportunity Agreement, entities owned by the Rigas Family Entities acquired cable systems serving approximately 68,000 basic subscribers (unaudited). To the extent applicable, the Company has not yet assumed or rejected this agreement under applicable bankruptcy law.

Note 7: Transactions with Other Officers and Directors

In a letter agreement between Adelphia and FPL Group, Inc. ("FPL Group") dated January 21, 1999, Adelphia agreed to (i) repurchase 20,000 shares of Series C Preferred Stock and 1,091,524 shares of Class A Common Stock owned by Telesat Cablevision, Inc., a subsidiary of FPL Group ("Telesat") and (ii) transfer all of the outstanding common stock of West Boca Security, Inc. ("WB Security"), a subsidiary of Olympus Communications, L.P. ("Olympus"), to FPL Group in exchange for FPL Group's 50% voting interest and 1/3 economic interest in Olympus. The Company owned the economic and voting interests in Olympus that were not then owned by FPL Group. At the time this agreement was entered into, Dennis Coyle, then a member of the Adelphia Board of Directors, was the General Counsel and Secretary of FPL Group. WB Security was a subsidiary of Olympus and WB Security's sole asset was a $108,000,000 note receivable (the "WB Note") from a subsidiary of Olympus that was secured by the FPL Group's ownership interest in Olympus and due September 1, 2004. On January 29, 1999, Adelphia purchased all of the aforementioned shares of Series C Preferred Stock and Class A Common Stock described above from Telesat for aggregate cash consideration of $149,213,000, and on October 1, 1999, the Company acquired FPL Group's interest in Olympus in exchange for all of the outstanding common stock of WB Security. The acquired shares of Class A Common Stock are presented as treasury stock in the accompanying consolidated balance sheets. The acquired shares of Series C Preferred Stock were returned to their original status of authorized but unissued. On June 24, 2004, the Creditors' Committee filed an adversary proceeding in the Bankruptcy Court, among other things, to avoid, recover and preserve the cash paid by Adelphia pursuant to the repurchase of its Series C Preferred Stock and Class A Common Stock together with all interest paid with respect to such repurchase. A hearing date relating to such adversary proceeding has not yet been set. Interest on the WB Note is calculated at a rate of 6% per annum (or after default at a variable rate of the London interbank offered rate ("LIBOR") plus 5%). FPL Group has the right, upon at least 60 days prior written notice, to require repayment of the principal and accrued interest on the WB Note on or after July 1, 2002. As of December 31, 2003, the aggregate principal and interest due to the FPL Group pursuant to the WB Note was $127,537,000. The Company has not accrued interest on the WB Note for periods subsequent to the Petition Date. To date, the Company has not yet received a notice from FPL Group requiring the repayment of the WB Note.

From May 2002 until July 2003, the Company engaged Conway, Del Genio, Gries & Co., LLC ("CDGC") to provide certain restructuring services pursuant to an engagement letter dated May 21, 2002 (the "Conway Engagement Letter"). During that time, Ronald F. Stengel, Adelphia's former and interim Chief Operating Officer and Chief Restructuring Officer, was a Senior Managing Director of CDGC. The Conway Engagement Letter provided for Mr. Stengel's services to Adelphia while remaining a full-time employee of CDGC. In addition, other employees of CDGC were assigned to assist Mr. Stengel in connection with the Conway Engagement Letter. Pursuant to the Conway Engagement Letter, the Company paid CDGC a total of $4,298,000 for its services in 2002 and, $2,827,000 for its services in 2003 (which includes the services of Mr. Stengel). The Company also paid CDGC a total of $173,000 in 2002 and $104,000 in 2003 for reimbursement of CDGC's out-of pocket expenses incurred in connection with the engagement. These amounts are in included in reorganization expenses due to bankruptcy in the accompanying consolidated statements of operations.

Note 8: Acquisitions

General

During 2001 and 2002, the Company consummated a number of acquisitions and exchange transactions. Except as otherwise described below, the Company has used the purchase method to account for such transactions. In general, these transactions were designed to increase the Company's scale and/or increase the percentage of the Company's cable television and CLEC operations that were located in strategic clusters. In circumstances where the purchase price exceeded the fair value of the identifiable net assets acquired, the Company allocated the residual purchase price to goodwill in recognition of the going concern value of the acquired net assets. The acquisitions described below have been included in the accompanying consolidated financial statements since their respective acquisition dates. The purchase price for each of the acquisitions was allocated to the assets purchased and the liabilities assumed based on their estimated fair market values at the date of acquisition.

2001 Cable System Acquisitions

On January 1, 2001, the Company, the Managed Cable Entities and Comcast participated in an exchange of cable systems. As a result of this transaction, the Company and the Managed Cable Entities acquired from Comcast approximately 418,000 and 25,000 basic subscribers (unaudited), respectively, and surrendered to Comcast approximately 443,000 and 26,000 basic subscribers (unaudited), respectively. The basic subscribers acquired by the Company were located in California and Florida, and the basic subscribers acquired by Comcast were located in Pennsylvania, New Jersey, Florida, Michigan, New Mexico and Indiana. The Company recorded a $541,994,000 pre-tax gain in connection with this transaction. For additional information, see Note 6.

On March 9, 2001, the Company acquired cable systems serving approximately 123,400 basic subscribers (unaudited) in Virginia, West Virginia, Pennsylvania, and Maryland from GS Communications, Inc. ("GSCI") for cash consideration of approximately $723,032,000 net of cash acquired and including direct acquisition costs paid.

On March 2, 2001, the Company purchased cable systems serving approximately 56,500 basic subscribers (unaudited) in Virginia, Georgia and North Carolina from Benchmark Media, Inc. ("Benchmark II") in exchange for approximately $114,266,000 in cash net of cash acquired and 2,394,778 shares of Class A Common Stock for a total purchase price of $203,516,000, including direct acquisition costs. Certain shares, 444,444, were held in escrow and were contingent upon the number of subscribers on August 31, 2001. In April 2002, 100,000 of such shares were returned to the Company and 344,444 shares were distributed to Benchmark II.

In May 2001, the Company exercised its rights under the CVC shareholders agreement with Time Warner Entertainment Company, L.P. ("TWE") to withdraw from CVC and reacquire the cable systems originally contributed by the Company to CVC. As a result, (i) the Company began consolidating such cable systems, (ii) the remaining cable systems owned by CVC were returned to TWE and (iii) CVC was dissolved. Prior to this transaction, the Company used the equity method to account for its ownership interest in CVC. The carrying values of the reacquired cable systems approximated their fair values at the time of acquisition. Accordingly, no gain or loss was recognized on this transaction. This transaction resulted in the addition of approximately 47,800 basic subscribers (unaudited) in Georgia and Kentucky.

On December 17, 2001, the Company acquired cable systems serving approximately 119,000 basic subscribers (unaudited) in Pennsylvania and Ohio from AT&T Corp ("AT&T"). The total purchase price of $309,092,000 for this acquisition consisted of $235,229,000 in cash (net of cash acquired), 2,624,301 shares of Class A Common Stock, and $413,000 of direct acquisition costs.

In addition to the acquisitions mentioned above, the Company completed three other individually insignificant cable acquisitions during 2001 for aggregate cash and stock consideration of $80,900,000. These acquisitions collectively resulted in the addition of approximately 27,400 basic subscribers (unaudited) in Kentucky, Virginia, Pennsylvania and California.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table reflects the final allocation of the purchase prices to the net assets of the entities acquired during 2001 as of their respective acquisition dates. Amounts reflected in the table include adjustments to the purchase price and related allocation that were recorded subsequent to December 31, 2001 (amounts in thousands):

	Comcast Exchange							
	Cable television systems acquired	Cable television systems surrendered	GSCI	Benchmark II	CVC	AT&T	Other cable	Total
Aggregate fair value of shares of Class A Common Stock issued	$ —	$ —	$ —	$ 89,232	$ —	$ 73,450	$ 21,612	$ 184,294
Aggregate cash consideration paid	—	—	722,562	115,158	—	235,233	58,691	1,131,644
Cash acquired	—	—	(2)	(892)	—	(4)	(17)	(915)
Historical cost of equity investment at transaction date	—	—	—	—	141,664	—	—	141,664
Fair value of historical assets acquired	1,676,274	—	—	—	—	—	—	1,676,274
Historical cost of net assets surrendered at transaction date	—	(1,134,280)		—	—	—	—	(1,134,280)
Direct acquisition cost	1,202	(48)	472	18	—	413	614	2,671
Total purchase price	$ 1,677,476	$(1,134,328)	$ 723,032	$ 203,516	$ 141,664	$ 309,092	$ 80,900	$ 2,001,352
Assets acquired:								
Receivables and prepaid expenses (original settlement)	344	(3,741)	2,050	1,869	—	4,532	472	5,526
Equity investments	—	(12,610)	—	—	—	—	—	(12,610)
Property and equipment	284,902	(189,527)	75,072	29,222	27,635	48,991	13,856	290,151
Intangible assets subject to amortization:								
Customer relationships	208,432	(71,191)	38,268	18,528	21,150	44,479	14,718	274,384
Intangible assets not subject to amortization:								
Franchise rights	1,008,014	(510,362)	362,011	131,754	118,796	150,854	32,955	1,294,022
Goodwill	175,784	(346,897)	245,807	29,692	2,573	58,137	19,944	185,040
Total assets acquired (excluding deferred tax assets)	1,677,476	(1,134,328)	723,208	211,065	170,154	306,993	81,945	2,036,513
Liabilities assumed:								
Payables and accruals (original settlement)	—	—	(3,345)	(7,685)	(30,466)	(165)	(1,129)	(42,790)
Other liabilities (net subsequent adjustments)	—	—	(1,244)	—	(776)	—	—	(2,020)
Total liabilities assumed (excluding deferred tax liabilities)	—	—	(4,589)	(7,685)	(31,242)	(165)	(1,129)	(44,810)
Deferred tax assets acquired (liabilities assumed)	—	—	4,413	136	2,752	2,264	84	9,649
Net assets acquired	$ 1,677,476	$(1,134,328)	$ 723,032	$ 203,516	$ 141,664	$ 309,092	$ 80,900	$ 2,001,352

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following unaudited pro forma data reflects the Company's consolidated operating data for 2001 as if the above-described 2001 transactions (including the acquisition and disposition components of the Comcast exchange transaction) had occurred as of January 1, 2001(amounts in thousands except per share amounts):

	Year ended December 31, 2001
Revenue	$ 3,405,844
Net loss before cumulative effects of accounting changes	$(6,247,415)
Net loss	$(6,251,489)
Basic and diluted loss per common share before cumulative effects of accounting changes	$ (35.81)
Basic and diluted loss per common share	$ (35.84)

2002 Cable System Acquisitions

On February 14, 2002, Adelphia issued 2,112,305 shares of Class A Common Stock valued at $46,470,000 to Verizon Media Ventures, Inc. ("Verizon") in exchange for cable television assets serving approximately 47,300 basic subscribers (unaudited) in California. Subsequently, certain franchise authorities filed suit against Verizon and the Company asserting that Verizon had not received approval from the franchise authorities for the sale as required by the applicable franchise agreement. See Note 21 for further information. On May 14, 2002, a temporary restraining order was granted to unwind a portion of the sale of certain assets and allow the sale of others. Because Verizon had vacated the area, the Company was required to provide service on behalf of Verizon to subscribers in the franchise area. In addition, the Company was prohibited from using any funds received from these subscribers and was required to place all such funds in a trust account. The Company recorded the portion of the purchase price related to the areas affected by the restraining order as a $22,585,000 deposit from Verizon (included in other noncurrent assets), and allocated the remaining purchase price to property and equipment ($9,651,000), franchise rights ($6,635,000), customer relationships ($4,271,000) and goodwill ($3,328,000). In April, 2003, upon appeal, the preliminary injunction was vacated, and the Company, upon request, was entitled to use the funds placed in trust. As a result, the portion of the purchase price that had been reflected as a deposit from Verizon in 2002 was allocated to property and equipment ($7,435,000), franchise rights ($6,142,000), customer relationships ($3,954,000) and goodwill ($4,190,000) during the second quarter of 2003. During the period in which the restraining order was in effect, the Company deferred both revenue and expenses related to the subscribers residing in the affected franchise area. The net profit of $864,000 during the restraining order period was recorded as a reduction of the purchase price in the second quarter of 2003, upon relief from the preliminary injunction. If this acquisition had occurred on January 1, 2001, the Company's results of operations and comprehensive loss would not have been materially different from the Company's historical results of operations for the years ended December 31, 2002 and 2001.

Note 9: TelCove

On January 11, 2002, the Company completed the TelCove Spin-off whereby all of the shares of common stock of TelCove owned by Adelphia were distributed in the form of a dividend to holders of Class A Common Stock and Class B Common Stock. The following table summarizes assets and liabilities distributed in the TelCove Spin-off (amounts in thousands):

Cash, receivables and other current assets	$ 78,393
Property and equipment, net	402,022
Other noncurrent assets	121,399
Total assets distributed	601,814
Accounts payable, subscriber advance payments and deposits, deferred revenue, accrued expenses and other current liabilities	160,051
Debt*	1,407,112
Other noncurrent liabilities	43,046
Total liabilities distributed	1,610,209
TelCove Preferred Stock	338,105
Total liabilities and preferred stock distributed	1,948,314
Net liabilities distributed	$ 1,346,500

* Includes $500,000,000 of debt arising under the joint bank credit facility for which the Company remains joint and severally liable.

Information concerning the Company's ownership of TelCove's Class A common stock ("TelCove Class A Common Stock") and its Class B common stock ("TelCove Class B Common Stock," and collectively with the TelCove Class A Common Stock, "TelCove Common Stock") is set forth in the following table as of the indicated dates:

	Number of shares owned by the Company		Percentage owned by the Company	
	TelCove Class A Common Stock	TelCove Class B Common Stock	Outstanding TelCove Common Stock	Outstanding TelCove Voting Interests
December 31, 2001	19,699,967	85,766,040	78%	96%
January 1, 2001	7,880,047	34,306,416	59%	90%

Although TelCove issued additional shares in 2001, the Company also acquired additional shares during this period such that its ownership interest in TelCove was not diluted. As a result of the issuance of additional shares of TelCove Common Stock to minority stockholders, the Company recorded increases to additional paid-in capital of $42,693,000 during 2001. Such amount includes the recapture of the minority's interest share of TelCove's losses that were previously allocated to Adelphia. In connection with the Company's purchase of an additional ownership interest in TelCove during 2001, the Company recorded a $99,040,000 increase to goodwill.

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As a result of its SFAS No. 121 impairment test, the Company recorded a $164,381,000 impairment charge to the TelCove goodwill balance in 2001. For additional information, see Note 12.

On March 27, 2002 (the "TelCove Petition Date"), TelCove and certain of its direct subsidiaries commenced voluntary cases to reorganize under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Subsequently, on June 18, 2002, certain indirect subsidiaries of TelCove also commenced voluntary cases to reorganize under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. TelCove and its direct and indirect subsidiaries that have commenced Chapter 11 filings are collectively referred to herein as the "TelCove Debtors." From the TelCove Spin-off Date through the TelCove Petition Date, the Rigas Family Entities owned a controlling interest in TelCove, and accordingly, the Company and TelCove were under the common control of the Rigas Family during that period. Subsequent to the TelCove Spin-off and prior to the TelCove Petition Date, the Company provided additional funding of $15,510,000 to TelCove in the form of unsecured advances to fund operations. As discussed in greater detail below, the Company provided additional funding of $15,000,000 to the TelCove Debtors in May 2002 in the form of a debtor-in-possession credit and security agreement (the "TelCove DIP Credit Agreement").

TelCove, as an unrestricted borrower under a joint bank credit facility with certain of Adelphia's subsidiaries (the "Subsidiary Borrowers") and a Rigas Family Entity, was credited with proceeds aggregating $500,000,000 from unsecured borrowings under this facility during 2000. The Subsidiary Borrowers are jointly and severally liable for all borrowings under this joint bank credit facility. As such, the full amount borrowed by TelCove under this joint bank credit facility has been reflected in the balance sheets of the Subsidiary Borrowers. Through December 31, 2001, both TelCove and the Subsidiary Borrowers were included in the Company's accompanying consolidated financial statements.

At the TelCove Spin-off Date, the Company recorded a receivable from TelCove of $518,897,000 representing the net effect of $500,000,000 related to the principal amount of the borrowings attributed to TelCove under the joint credit facility and $18,897,000 of additional advances that resulted primarily from costs incurred by the Company in connection with the development of TelCove's billing system. All of such amounts including the $15,510,000 of unsecured advances were fully reserved during 2002.

In April 2002, the TelCove Debtors entered into the TelCove DIP Credit Agreement with Adelphia and one of the Rigas Family Entities (collectively, the "TelCove DIP Lenders"). Pursuant to the TelCove DIP Credit Agreement, the TelCove DIP Lenders committed to provide TelCove with a $135,000,000 revolving credit facility. The TelCove DIP Credit Agreement was structured such that Adelphia was responsible for loaning the first $67,500,000 and the Rigas Family Entity was responsible for loaning the second $67,500,000. The TelCove DIP Credit Agreement was to mature on the earlier of April 2004, the effectiveness of TelCove's reorganization plan or the occurrence and continuance of an event of default. Loans under the TelCove DIP Credit Agreement were to bear interest at a rate equal to a prime rate plus 3.75% per annum, subject to adjustment during the continuance of any event of default. The TelCove DIP Credit Agreement also provided for a facility fee of 1% of the unborrowed loan commitment and for the payment by TelCove of deferred financing fees of $4,050,000. No interest or fees were ever received from TelCove. In April 2002, the Bankruptcy Court approved an interim order for $27,000,000 of borrowings under the TelCove DIP Credit Agreement pending a final hearing. In May 2002, Adelphia loaned $15,000,000 of such approved borrowings to TelCove, but did not provide the remaining $12,000,000 that had been approved by the Bankruptcy Court. In August 2002, the TelCove Debtors closed on an alternative debtor-in-possession credit agreement with an unrelated third party that, with the Company's consent, subordinated the priority of the Company's claims pursuant to the TelCove DIP Credit Agreement. As a result, the Company recorded a reserve against the entire $15,000,000 loaned to TelCove during 2002.

As discussed above, TelCove borrowed an aggregate of $500,000,000 pursuant to a joint bank credit facility with a subsidiary of the Company and a Rigas Co-Borrowing Entity. Adelphia charged TelCove a $15,000,000 debt placement fee in connection with the initiation of such borrowings during 2000. For accounting purposes, the difference between the $15,000,000 debt placement fee charged by the Company to TelCove and TelCove's $3,790,000 pro-rata share of the total bank fees paid by the Company to obtain the joint bank credit facility was recorded as an adjustment to additional paid-in capital that was eliminated in consolidation through the TelCove Spin-off Date.

In October 2001, the Company purchased from certain subsidiaries of TelCove certain CLEC systems in Rhode Island, Connecticut, Maine, New Hampshire, Richmond, Virginia, and Albany, Buffalo and Rochester, New York for a cash purchase price of approximately $141,225,000 plus certain assumed liabilities. Additionally, in December 2000, the Company purchased from certain subsidiaries of TelCove certain CLEC systems in Virginia, Colorado, California and Ohio for a cash purchase price of $88,500,000 plus certain assumed liabilities. Due to the fact that the Company and TelCove were under common control during the periods in which such transactions were consummated, the Company accounted for such transactions at carryover basis and the excess of the purchase price over the historical cost of the acquired assets has been reflected as a reduction of the Company's additional paid-in capital. In connection with the acquisition of these CLEC systems, the Company entered into management agreements with TelCove to manage the local telecommunications transmission systems for the Company. The management agreements, which had an initial term of three years, contained automatic renewals for successive three-year periods, unless the Company gives notification that it is terminating such agreements. TelCove was also eligible to receive a quarterly performance bonus at the discretion of the Company. During 2003 and 2002, the aggregate amount charged to the Company pursuant to these management agreements was $3,045,000 and $4,170,000, respectively. Such amounts are included in costs and expenses in the accompanying consolidated statements of operations.

The Company provided management and record keeping services to TelCove in accordance with applicable agreements. The agreements provided for a reasonable charge for the costs of providing services to TelCove plus reimbursement of applicable out-of-pocket costs. Due to the fact that collectibility was not assured, the Company recognized the amounts charged to TelCove on a cash basis. The Company recognized $1,215,000 of such charges and reimbursements as reductions of its costs and expenses during 2003. The Company did not receive any reimbursements from TelCove in 2002.

The foregoing management agreements were effectively superceded by a Master Management Agreement executed on April 7, 2004 in connection with the settlement of a dispute between the Company and TelCove, as described below.

On December 3, 2003, the Debtors and TelCove entered into a Master Reciprocal Settlement Agreement pursuant to which the parties, among other things, memorialized their agreement relating to their ownership and use of certain shared assets. On March 23, 2004, the Bankruptcy Court approved the Master Reciprocal Settlement Agreement.

On February 21, 2004, the parties executed a global settlement agreement (the "Global Settlement") that resolves, among other things, certain claims put forth by both TelCove and Adelphia. The Global Settlement provided that, on the closing date, the Company would transfer to TelCove certain settlement consideration, including, approximately $60,000,000 in cash, plus an additional payment of up to $2,500,000 related to certain outstanding payables, as well as certain vehicles, real property and intellectual property licenses used in the operation of TelCove's businesses. Additionally, the parties executed various annexes to the Global Settlement (collectively, the "Annex Agreements") that provide, among other things, for (i) a five-year business commitment to TelCove for telecommunication services by the Company, (ii) future use by TelCove of certain fiber capacity in assets owned by the Company and (iii) the mutual release by the parties from any and all liabilities, claims and causes of action that either party has or may have against the other party. Finally, the Global Settlement provides for the transfer by the Company to TelCove of certain CLEC market assets together with the various licenses, franchises and permits related to the operation and ownership of such assets. On March 23, 2004, the Bankruptcy Court approved the Global Settlement. The Company recorded a $97,902,000 liability during the fourth quarter of 2003 to provide for the Global Settlement. The Annex Agreements became effective in accordance with their terms on April 7, 2004.

On April 7, 2004, the effective date of the TelCove plan of reorganization, the Company paid $57,941,000 to TelCove, transferred the economic risks and benefits of the CLEC market assets to TelCove pursuant to the terms of the Global Settlement and entered into a Master Management Agreement which provided for the management of the CLEC market assets from April 7, 2004 through the date of transfer to TelCove. On August 20, 2004, the Company paid TelCove an additional $2,464,000 pursuant to the Global Settlement in connection with the resolution and release of certain claims. On August 21, 2004, the CLEC market assets were transferred to TelCove.

Note 10: Investments in Equity Affiliates and Related Receivables

The Company has various investments accounted for under the equity method. The following table includes the Company's percentage ownership interest and the carrying value of its investments and related receivables as of the indicated dates (dollars in thousands):

	Percentage ownership at December 31, 2003	December 31, 2003	2002	2001
Century/ML Cable (a)	50%	$240,542	$237,056	$241,779
Devon Mobile Communications, L.P. ("Devon Mobile") (b)	49.9%	—	—	31,609
TelCove investments (d)	N/A	—	—	49,844
Other	various	16,035	15,994	17,503
Investments in equity affiliates and related receivables		$256,577	$253,050	$340,735

The following table includes the Company's share of earnings (losses) of its equity affiliates, including excess basis amortization and write-downs to reflect other-than-temporary declines in value for the indicated periods (amounts in thousands):

	Year ended December 31, 2003	2002	2001
Century/ML Cable (a)	$ —	$ 3,128	$ 669
Devon Mobile (b)	—	(123,327)	36,149
CVC (c)	—	—	1,349
TelCove investments (d)	—	—	8,122
Across Media Networks, LLC (e)	—	—	(23,705)
Other	(2,826)	435	2,197
Total share of earnings (losses) of equity affiliates, net	$ (2,826)	$(119,764)	$ 24,781

(a) Century/ML Cable

Century/ML Cable owns, operates and manages cable systems and other related telecommunications businesses located in Puerto Rico. Century/ML Cable is a joint venture between ML Media and Century. The Company acquired its 50% interest in Century/ML Cable on October 1, 1999 in connection with the Company's acquisition of Century. Accordingly, the Company's initial investment in Century/ML Cable was equal to its fair value on October 1, 1999 as a result of the application of purchase accounting in connection with the Century acquisition. As both Century and ML Media have substantial participatory rights in the management of Century/ML Cable, the Company used the equity method to account for its investment in Century/ML Cable until September 30, 2002, when Century/ML Cable filed a voluntary petition to reorganize under Chapter 11 of the Bankruptcy Code.

Following the Chapter 11 filing, the Company suspended the use of the equity method and began to carry its investment in Century/ML Cable at cost. The Company has evaluated its investment in Century/ML Cable for an other-than-temporary decline in fair value below the cost basis in accordance with its policy and concluded that the estimated fair value exceeded its cost basis. This bankruptcy proceeding is administered separately from that of the Debtors. Century/ML Cable is operating its business as a debtor-in-possession and, along with its subsidiary, Century/ML Cable Corporation, continues to provide service to its subscribers. Century/ML Cable Corporation did not file for reorganization under Chapter 11. At this time, Century/ML Cable is expected to generate sufficient cash to fund foreseeable operations and capital requirements. The Century/ML Cable Chapter 11 filing is not expected to have a material impact on the operations of Century/ML Cable Corporation.

ML Media, Adelphia and Century are engaged in a process exploring the potential sale of the venture to a third party, and from time to time have explored other potential transactions relating to Century/ML Cable.

The excess of the Company's investment in Century/ML Cable over the Company's proportionate share of Century/ML Cable's net assets was $175,441,000 at December 31, 2003.

The Company provides management, programming and record keeping services to Century/ML Cable. The amounts charged by the Company to Century/ML Cable from October 1999 through December 2001 represented 5% of Century/ML Cable's revenue plus reimbursable expenses (including certain programming costs). In connection with the execution of the Recap Agreement, among Century/ML Cable, ML Media and one of the Rigas Family Entities in December 2001, as further discussed in Note 6, the parties agreed to increase the management fees to 10% of Century/ML Cable's revenue plus reimbursable expenses. In June 2003, the management fees charged to Century/ML Cable were reduced to 5% of Century/ML Cable's revenue plus reimbursable expense in connection with the Bankruptcy Court's approval of the Debtors' rejection of the Recap Agreement. The Company has provided reserves against any management fees charged in excess of 5%. During the period in which the Company used the equity method to account for Century/ML Cable, the Company eliminated 50% of the management fee from Century/ML Cable against the Company's share of Century/ML Cable's losses. After deducting such eliminations and reserves, the net Century/ML Cable management fees included as a reduction of selling, general and administrative expenses in the Company's accompanying statements of operations were $4,053,000, $2,280,000 and $1,707,000 during 2003, 2002 and 2001, respectively. In addition to management fees, the Company is reimbursed by Century/ML Cable for programming expenses and other amounts paid on Century/ML Cable's behalf. At December 31, 2003, 2002 and 2001, the amounts receivable from Century/ML Cable for such fees and reimbursements, net of applicable reserves, were $20,088,000, $16,602,000 and $22,955,000, respectively. Such receivables are included with the Company's investment in Century/ML Cable in the foregoing table.

As further described in Note 21, ML Media and Adelphia are engaged in litigation regarding the Recap Agreement and other matters.

(b) Devon Mobile

Pursuant to the Agreement of Limited Partnership of Devon Mobile dated as of November 3, 1995 (the "Devon Mobile Limited Partnership Agreement"), the Company owned a 49.9% limited partnership interest in Devon Mobile. An unrelated third party (the "Devon General Partner") owned the remaining 50.1% general partnership interest. The Devon General Partner also held 60% of the voting rights in a management committee that was created by the terms of the Devon Mobile Limited Partnership Agreement (the "Devon Mobile Management Committee"). The Company held the remaining voting rights in the Devon Mobile Management Committee. James P. Rigas, a member of the Rigas Family, was the Company's representative on the Devon Mobile Management Committee until May 2002, when he resigned from his position with Adelphia.

Devon Mobile, through its subsidiaries, held licenses to operate regional wireless telephone businesses in several states. In late May 2002, the Company notified the Devon General Partner that it would likely terminate certain discretionary operational funding to Devon Mobile. The Company waived its right to participate in the

Devon Mobile Management Committee on June 14, 2002. On August 19, 2002 (the "Devon Mobile Petition Date"), Devon Mobile and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Devon Mobile Bankruptcy Court"). Pursuant to Devon Mobile's joint plan of liquidation, which was approved by the Devon Mobile Bankruptcy Court in October 2003, the Company's interests in Devon Mobile were extinguished.

The Company used the equity method to account for its limited partnership interest in Devon Mobile through the Devon Mobile Petition Date. Due to the inability of the Devon General Partner to absorb its share of Devon Mobile's losses, the Company recognized 100% of Devon Mobile's losses under the equity method. During 2002, the Company recognized a charge of $113,962,000 to (i) write-off its equity investment of $11,356,000, (ii) write-off its receivables from Devon Mobile of $67,820,000 and (iii) to accrue a liability for a $34,786,000 guarantee of an accounts payable obligation to one of Devon Mobile's vendors. Such charge is included in share of earnings (losses) of affiliates, net in the accompanying consolidated statements of operations. The accrued liability for the guarantee of the accounts payable obligation is presented as a liability subject to compromise in the accompanying consolidated balance sheets.

The Company charged fees to Devon Mobile pursuant to a services agreement dated December 29, 2000. Such fees included management fees of $400,000 per month. During 2002 and 2001 management fees aggregated $2,400,000 and $4,800,000, respectively. During 2001, Devon Mobile paid the Company brokerage fees aggregating $4,740,000 as a result of the Company's role in the sale of Devon Mobile's Florida Federal Communications Commission licenses. Such management and brokerage fees were eliminated against the Company's 100% share of Devon Mobile's losses.

As further discussed in Note 21, the Company and Devon Mobile are involved in litigation.

(c) CVC

CVC was a joint venture between Century and TWE. Each of Century and TWE owned 50% of the outstanding capital stock of CVC. As each of the Company and TWE had substantial participatory rights in the management of CVC under the CVC shareholders agreement, neither party owned a controlling financial interest in CVC. The CVC shareholders agreement also provided for a "split-off" transaction pursuant to which either the Company or TWE could reacquire the cable systems originally contributed to CVC. In May 2001, the Company exercised its rights under the CVC shareholders agreement to withdraw from CVC and reacquire the cable systems originally contributed by the Company to CVC. For additional information, see Note 8.

(d) TelCove Investments

The TelCove investments represent joint ventures in which TelCove owned non-controlling interests. TelCove charged management fees for various administrative, engineering and other services provided to these joint ventures based on existing management agreements. Such management fees were eliminated against TelCove's share of the losses of the TelCove joint ventures to the extent of TelCove's ownership interest in such joint ventures. After deducting such eliminations, the net management fees included as a reduction of selling, general and administrative expenses in TelCove's results of operations were $3,748,000 during 2001.

(e) Investment in Across Media Networks, LLC ("Across Media")

The Company had investments in and receivables from Across Media. In 2001, Across Media filed for Chapter 11 bankruptcy protection. As a result of Across Media's bankruptcy filing, the Company fully impaired its investments in and receivables from Across Media. Such impairments are included in the share of earnings (losses) of equity affiliates, net.

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Note 11: Cost and Other Investments

The Company has received stock purchase warrants from vendors and other strategic partners in connection with various agreements. Effective with the January 1, 2001 adoption of SFAS No. 133, the Company began carrying its investments in these warrants at fair value. Prior to January 1, 2001, such warrants were carried at cost, subject to other-than-temporary impairment. The following is a discussion of the Company's investments in available-for-sale securities, warrants, preferred stock and other cost investments, which are included in other noncurrent assets, net in the accompanying consolidated balance sheets.

UGC Common and Preferred Stock. At January 1, 2001 the carrying value of the Company's investment in UGC Series B convertible preferred stock was $17,239,000. During 2001, the Company recorded impairment losses of $10,553,000, to reflect other-than-temporary declines in the fair value of the Company's investment in UGC. Each share of such UGC Series B convertible preferred stock was convertible into approximately 26 shares of UGC Class A common stock at a conversion price of $21.25 per share. The Company converted all of its shares of UGC Series B convertible preferred stock into 2,837,235 shares of UGC Class A common stock during the first quarter of 2002. During the second quarter of 2002, the Company sold 2,637,235 shares of the UGC Class A common stock for cash proceeds of $8,862,000. The Company recognized a $2,647,000 gain in connection with such sale.

Motorola, Inc. ("Motorola") Warrants and Common Stock. The Company acquired the right to earn warrants to purchase up to 561,066 shares of Motorola common stock (as adjusted for a merger and stock splits) in connection with a December 1997 agreement to purchase digital set-top boxes. Pursuant to this agreement, the Company earned warrants to purchase shares of Motorola common stock in each of 2000, 1999 and 1998. At January 1, 2001 the carrying value of the Company's investment in Motorola warrants and common stock was $8,541,000 after recording $4,074,000 as a cumulative effect of an accounting change, in connection with the implementation of SFAS No. 133 that reflected a $6,813,000 reduction of the carrying value of the Motorola warrants, net of the related tax benefit of $2,739,000. During the second quarter of 2002, the Company sold all of the Motorola shares acquired upon exercise of these warrants for cash proceeds of $7,058,000. The Company recognized a $6,415,000 loss in connection with this sale.

Wink Communications, Inc. Warrants. In October 2000, the Company and Wink entered into a three-year agreement whereby the Company would allow Wink to attach its interactive programming software to certain subscriber services in exchange for warrants to purchase 1,450,000 shares of Wink common stock. The Company recorded the Wink warrants at the then estimated fair value of $18,790,000, with an offsetting amount recorded as deferred income. From December 2000 through June 2002, the Company deployed the Wink interactive service to a limited number of subscribers. During this period, the amortization of the deferred income related to the Wink warrants was based on actual customer deployment as compared to total projected customer deployment over the life of the agreement. Such amortization, which amounted to $536,000 and $702,000 during 2002 and 2001, respectively, is included in revenue in the accompanying consolidated financial statements. During 2002, in connection with the termination of the agreement with Wink, the Company recognized income of $17,486,000. Such income is included in other income (expense), net in the accompanying consolidated statements of operations. During 2000, the Company recorded impairment charges of $10,589,000 to reflect other-than-temporary declines in the fair value of the Company's Wink warrants. The Company also recognized losses of $2,002,000 and $6,200,000 during 2002 and 2001, respectively, due to a decline in the value of the Wink warrants and their expiration in 2002. Such losses are included in other income (expense), net in the accompanying consolidated statements of operations.

Worldgate Communications, Inc. Common Stock. In July 2000, the Company and Worldgate entered into a five-year agreement whereby the Company would allow Worldgate to attach its interactive programming software to certain subscriber services in exchange for exercisable warrants to purchase shares of Worldgate common stock. Immediately following the execution of the agreement, the Company exercised warrants to purchase 500,000 shares of Worldgate common stock with a then fair value of $13,969,000. The excess of such fair value over the $8,010,000 cost was recorded as deferred income. As the Company has not commercially deployed Worldgate's interactive service, no income has been recognized. As the Company has since abandoned efforts to commercially deploy the Worldgate interactive service, the Company anticipates that no income will be recognized until 2005,

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when the agreement with Worldgate expires. During 2002 and 2001, the Company recorded impairment charges of $760,000 and $937,000 to reflect other-than-temporary declines in the fair value of the Company's Worldgate stock. The Company recognized gains of $53,000 and $292,000 in connection with the sale of all remaining shares of Worldgate stock during the fourth quarter of 2003 and first quarter of 2004, respectively.

Commerce.TV, Inc. Warrants and Preferred Stock. In December 2000, the Company and Commerce.TV entered into a 15-month agreement whereby the Company would allow Commerce.TV to attach its interactive programming software to certain subscriber services in exchange for warrants to purchase 7,000,000 shares of Commerce.TV Series C voting convertible preferred stock. The agreement also provided that the Company would purchase $3,000,000 of such preferred stock at a price of $3.05 per share. The Company purchased such preferred stock in a private placement that closed during the first quarter of 2001. During the second quarter of 2001, the Company (i) exchanged all of the warrants to purchase 7,000,000 shares of Series C voting convertible preferred stock for 5,100,000 shares of Commerce.TV Series D preferred stock and (ii) purchased a Commerce.TV 10% convertible secured note due February 28, 2002 for $2,625,000. Based on the fair values attributed to Commerce.TV's Series C and D preferred stock at the time of this exchange and other factors, during 2001 the Company recorded $26,221,000 of impairment losses to reflect an other-than-temporary decline in the fair value of the Company's investment in Commerce.TV. The Company initially recorded the Commerce.TV warrants at their then estimated fair value of $20,596,000, with an offsetting amount recorded as deferred income. From the third quarter of 2001 through the fourth quarter of 2001, the Company deployed the Commerce.TV interactive service to a limited number of subscribers. During this period, the Company amortized the deferred income related to the Commerce.TV warrants on a straight-line basis over the expected 5 year term of the relationship with Commerce.TV. Such amortization, which amounted to $1,205,000 during 2001, is included in revenue in the accompanying consolidated financial statements. During the first quarter of 2002, the Company recognized the remaining unamortized deferred income of $19,223,000 in connection with the termination of its obligations under the Commerce.TV agreement as a result of the liquidation of Commerce.TV through bankruptcy proceedings. Such income is included in other income (expense), net in the accompanying consolidated statements of operations.

Other Securities. The Company has a number of individually insignificant investments that are accounted for at cost, subject to other-than-temporary impairment.

As noted above, effective with the Company's adoption of SFAS No. 133 on January 1, 2001, the Company began recognizing unrealized gains and losses due to changes in the fair value of the Company's warrants. Prior to January 1, 2001, the Company did not record any unrealized gains with respect to its investments in warrants. The Company recognized losses of $1,955,000 and $16,656,000 in 2002 and 2001, respectively, resulting from changes in the fair value of warrants. These losses are included in other income (expense), net in the accompanying consolidated statements of operations.

The fair value of the Company's available-for-sale equity securities and the related unrealized holding gains and losses are summarized below. Such unrealized gains and losses are included in accumulated other comprehensive income or loss in the accompanying consolidated balance sheets and have not been recognized in the accompanying consolidated statements of operations (amounts in thousands):

	December 31,		
	2003	2002	2001
Fair value	$ 2,138	$ 703	$ 7,720
Gross unrealized holding gains	$ 1,495	$ 15	$ 542
Gross unrealized holding losses	$ (7)	$ —	$ (946)

The Company recognized impairment losses as a result of other-than-temporary declines in the fair value of the Company's investments in available-for-sale securities, warrants, preferred stock and other cost investments of $8,544,000, $6,531,000 and $56,428,000 in 2003, 2002, and 2001, respectively.

Note 12: Impairment of Long-Lived Assets

A summary of impairment charges for long-lived assets is set forth below (amounts in thousands):

	Year ended December 31,		
	2003	2002	2001
Property and equipment:			
CLECs(a)			
TelCove	$ —	$ —	$ 1,108,990
Adelphia	—	—	150,091
Cable(d)	—	—	24,299
Convergence(b)	—	49,756	—
Brazil(c)	17,000	—	—
Intangible assets, net:			
Franchise rights (d)	641	1,212,860	581,924
Goodwill			
CLECs(a)			
TelCove	—	—	164,381
Adelphia	—	—	23,416
Cable(d)	—	755,905	2,444,084
Customer relationships and other			
CLECs—Telcove(a)	—	—	130,337
Cable(d)	—	—	29,942
Other assets(e)	—	13,236	179
Impairment of long-lived assets	$17,641	$ 2,031,757	$ 4,657,643

(a) TelCove and Adelphia CLECs

As discussed in Note 9, the Company acquired certain CLEC markets from TelCove during 2001 and 2000. These markets were not included with the CLEC assets that were divested by Adelphia in connection with the TelCove Spin-off. The foregoing table separately presents impairment losses associated with the CLEC markets divested in connection with the TelCove Spin-off and the CLEC markets retained by Adelphia and subsequently shut down or transferred to TelCove as part of the Global Settlement.

In light of conditions that existed in the telecommunications industry during the fourth quarter of 2001, including among other things, declining asset values and an overabundance of fiber capacity in the marketplace, the Company performed an evaluation in accordance with SFAS No. 121 of the recoverability of the long-lived assets associated with the Company's CLEC businesses. For purposes of this analysis, the Company groups assets by geographic area or market, which represents the lowest level of cash flows that are largely independent of other assets and liabilities. As a result of this evaluation, the Company recorded an impairment charge in 2001 to write down certain long-lived assets, including goodwill and LMDS licenses (included in customer relationships and other above) associated with such CLEC businesses to their respective estimated fair values.

(b) Convergence

"Convergence" was an internal operations, call center and billing system that the Company began developing in 1998. After a careful evaluation of the functionality and usability of Convergence, the Company decided in 2002 not to pursue continued deployment and terminated additional funding for and abandoned the system. As a result of this decision, the Company recognized an impairment charge during 2002 to write-off all capitalized costs associated with Convergence.

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(c) Brazil

In light of the declining values associated with cable systems in Brazil, as evidenced by the sale of other Brazilian cable entities during 2003, the Company performed an evaluation of its Brazilian cable operations during 2003. As a result of this evaluation, the Company recorded an impairment charge to write down the assets of this operation to their estimated fair market value.

(d) Cable Impairments

The significant decline in the Company's stock price throughout 2001 and the resulting implied value per subscriber as compared to recent acquisitions indicated that the Company's assets may be impaired. Accordingly, the Company performed an evaluation in accordance with SFAS No. 121 of the recoverability of the long-lived assets, including goodwill, associated with the Company's cable business. As a result of this evaluation, the Company recorded an impairment charge in 2001 to write down certain tangible and intangible long-lived assets associated with the Company's cable business to their respective estimated fair values.

Effective January 1, 2002, the Company adopted SFAS No. 142 and performed its transitional impairment evaluation of the carrying value of goodwill and franchise rights as of January 1, 2002. As a result of this evaluation, the Company recorded impairment charges to write-down goodwill by $881,610,000 and franchise rights by $524,696,000 to their respective estimated fair values. Such charges are reflected in cumulative effects of accounting changes in the accompanying consolidated statements of operations. The January 1, 2002 impairment charges resulted from differences in the impairment methodology under SFAS No. 142 and SFAS No. 121.

As a result of the Debtors' Chapter 11 filing, the Company performed an evaluation of the carrying amounts of goodwill and franchise rights in accordance with SFAS No. 142 and an evaluation of long-lived assets in accordance with SFAS No. 144, as of June 30, 2002. As a result of these evaluations, the Company recorded impairment charges to write-down goodwill by $755,905,000 and franchise rights by $1,212,860,000 to their respective estimated fair values. The Petition Date of the Chapter 11 filing substantially coincided with the Company's annual impairment testing date. No other events occurred during the remainder of 2002 or in 2003 that would require additional impairment tests to be performed.

The Company performed its annual impairment test under SFAS No. 142 on July 1, 2003 and recorded additional impairments of $641,000 related to franchise rights.

(e) Other assets

As discussed in Note 6, as a result of the Company's decision to cease construction of a golf course, the Company recorded an impairment charge of $13,236,000 in 2002.

Note 13: Accrued Liabilities

The details of accrued liabilities are set forth below (amounts in thousands):

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	December 31, 2003	2002	2001
Interest	$418,640	$ 419,004	$359,901
SEC Litigation	175,000	175,000	—
Programming costs	117,953	107,982	91,937
TelCove settlement	97,902	—	—
Income, sales, property and other taxes	69,264	82,464	73,148
Payroll	51,025	33,849	31,651
Franchise fees	53,653	53,673	47,049
Dividends	29,629	29,629	17,849
Copyright	16,953	15,814	16,814
Other	221,194	152,285	113,326
Subtotal	1,251,213	1,069,700	751,675
Liabilities subject to compromise (Note 2)	(839,142)	(823,834)	—
Total	$412,071	$ 245,866	$751,675

Note 14: Debt

The carrying value of the Company's debt is summarized below for the indicated periods. Due to the Company's violation of certain financial covenants, the pre-petition debt is classified as current and included in current portion of parent and subsidiary debt. Although the Company has timely paid all interest due under the DIP Facility, it is classified as current as the Company has received and may require future waivers to prevent or cure certain defaults under the DIP Facility (further described below).

With the exception of the DIP Facility, the Company's capital lease obligations and a portion of other subsidiary debt, all amounts shown in the table below represent pre-petition liabilities that are included in liabilities subject to compromise (amounts in thousands):

	December 31, 2003	2002	2001
Parent debt — unsecured:(a)			
Senior notes	$ 4,767,565	$ 4,767,565	$ 4,767,124
Convertible subordinated notes(b)	1,992,022	1,992,022	1,600,415
Senior debentures	129,247	129,247	129,130
Pay-in-kind notes	31,847	31,847	31,847
Total parent debt	6,920,681	6,920,681	6,528,516
Subsidiary debt:			
Secured			
DIP Facility(c)	276,032	200,000	—
Notes payable to banks	2,240,313	2,240,313	2,126,831
Capital lease obligations	70,159	97,418	168,066
Unsecured			
Senior notes	1,105,538	1,105,538	1,858,694
Senior discount notes	342,830	342,830	343,808
Zero coupon senior discount notes	755,031	755,031	718,876
Senior subordinated notes	208,976	208,976	509,789
Other subsidiary debt	122,451	122,902	122,464
Total subsidiary debt	5,121,330	5,073,008	5,848,528

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Co-Borrowing Facilities(d)	4,576,375	4,576,375	5,040,000
Deferred financing fees(e)	(134,208)	(134,208)	—
Total	$ 16,484,178	$ 16,435,856	$ 17,417,044
Current portion of parent and subsidiary debt	$ (347,119)	$ (298,797)	$ (17,417,044)
Liabilities subject to compromise (Note 2)	$(16,137,059)	$ (16,137,059)	$ —

(a) Parent Debt

All debt of Adelphia is structurally subordinated to the debt of its subsidiaries such that the assets of an indebted subsidiary are used to satisfy the applicable subsidiary debt before being applied to the payment of parent debt. The Company recognized charges during 2001 related to the early redemption of certain debt of Adelphia. Such charges are included in other income (expense), net in the accompanying consolidated statements of operations and totaled $6,542,000 during 2001.

(b) Convertible Subordinated Notes

At December 31, 2003, the convertible subordinated notes included (i) $1,029,876,000 aggregate principal amount of 6% subordinated convertible notes, (ii) $975,000,000 aggregate principal amount of 3.25% subordinated convertible notes and (iii) unamortized discounts aggregating $12,854,000. The Rigas Family Entities hold $167,376,000 aggregate principal amount of the 6% notes and $400,000,000 aggregate principal amount of the 3.25% notes. The terms of the 6% notes and 3.25% notes provide for the conversion of such notes into Class A Common Stock (Class B Common Stock in the case of notes held by the Rigas Family Entities) at the option of the holder any time prior to maturity at an initial conversion price of $55.49 per share and $43.76 per share, respectively.

(c) DIP Facility

In connection with the Chapter 11 filings, Adelphia and certain of its subsidiaries (collectively, the "Loan Parties") entered into the $1,500,000,000 DIP Facility, which was subsequently superceded and replaced by the Extended DIP Facility, which is described below. On August 23, 2002, the Bankruptcy Court approved the DIP Facility, and on September 3, 2002, the Loan Parties closed on the DIP Facility. As part of the closing, the proceeds from the Tranche B Loan in the amount of $200,000,000 were funded and transferred into certain investment accounts maintained with the administrative agent. Prior to the extension of the DIP Facility, which is described below, the DIP Facility was scheduled to expire on the earlier of June 25, 2004 or upon the occurrence of certain other events as described in the DIP Facility. Subject to certain cash management restrictions, borrowings under the DIP Facility could be used for general corporate purposes and investments, as defined in the agreement. The DIP Facility was secured by a first priority lien on all of the Company's unencumbered assets, a super priority lien on all of its assets securing its pre-petition bank debt, and a junior lien on all other assets subject to valid pre-existing liens. The DIP Facility consisted of a $1,300,000,000 revolving credit facility (the "Tranche A Loan") and the $200,000,000 Tranche B Loan. Loans under the DIP Facility accrued interest either (i) at the Alternate Base Rate (which was the greatest of the Prime Rate, the Base CD Rate plus 1% per annum or the Federal Funds Effective Rate plus 0.5% per annum) plus 2.5% per annum or (ii) in the case of Eurodollar loans, the Adjusted LIBOR Rate, as defined in the DIP Facility, plus 3.5% per annum. At December 31, 2003 and 2002, the weighted average effective borrowing rate on the outstanding borrowings under the DIP Facility was 4.60% and 3.42% per annum, respectively. In addition to the effective borrowing rate, a commitment fee ranging from 0.5% to 1.0% per annum was charged on the unused portion of the Tranche A Loan.

The terms of the DIP Facility contained certain restrictive covenants, which included limitations on the ability of the Loan Parties to (i) incur additional guarantees, liens and indebtedness, (ii) sell or otherwise dispose of certain assets and (iii) pay dividends or make other distributions, loans or payments with respect to any shares of capital stock, subject to certain exceptions set forth in the DIP Facility. The DIP Facility also required compliance with certain financial covenants with respect to operating results and capital expenditures. These financial covenants became effective for periods beginning May 1, 2003. From time to time, the Loan Parties and the DIP lenders entered into certain amendments to the terms of the DIP Facility. In addition, from time to time, the Company received waivers to prevent or cure certain defaults under the DIP Facility. These waivers and amendments are effective through the maturity date of the Extended DIP Facility.

The Loan Parties made mandatory prepayments of principal on the DIP Facility in connection with the consummation of certain asset sales, which prepayments reduced the total commitment under the Tranche B Loan to $199,032,000 as of December 31, 2003. Including $17,177,000 of letters of credit that were issued under the Tranche A Loan, the availability under the Tranche A Loan was $1,205,823,000 at December 31, 2003. There was no availability under the Tranche B Loan at December 31, 2003.

Extended DIP Facility

On May 10, 2004, the Loan Parties entered into the $1,000,000,000 Extended DIP Facility, which superceded and replaced in its entirety the DIP Facility. The Extended DIP Facility was approved by the Bankruptcy Court on May 6, 2004 and closed on May 10, 2004. Except as set forth below, the material terms and conditions of the Extended DIP Facility are substantially identical to the material terms and conditions of the DIP Facility described above, including with respect to the covenants and collateral securing the Extended DIP Facility.

The Extended DIP Facility matures upon the earlier of March 31, 2005 or upon the occurrence of certain other events, as described in the Extended DIP Facility. Upon the closing of the Extended DIP Facility, the Company borrowed an aggregate of $390,750,000 under the Extended DIP Facility, and used all such proceeds to repay all of the then outstanding principal, accrued interest and certain related fees and expenses under the DIP Facility. The Extended DIP Facility is comprised of an $800,000,000 Tranche A Loan and a $200,000,000 Tranche B Loan. The applicable margin on loans extended under the Extended DIP Facility was reduced (when compared to the DIP Facility) to 1.50% per annum in the case of Alternate Base Rate loans and 2.50% per annum in the case of Adjusted LIBOR Rate loans. In addition, under the Extended DIP Facility, the commitment fee with respect to the unused portion of the Tranche A Loan was reduced (when compared to the DIP Facility) to a range of 0.50% to 0.75% depending upon the amount of the unused portion of the Tranche A Loan. The Extended DIP Facility also provides for, among other things, (i) a decrease in the commitment and primary letter of credit fee rates, (ii) a change to certain letter of credit provisions to enable certain letters of credit to remain outstanding following the maturity date of the Extended DIP Facility, (iii) a change to certain borrowing limits of the designated subsidiary borrowing groups and (iv) an extension of the financial covenant levels of each designated subsidiary borrowing group through the maturity date of the Extended DIP Facility.

From time to time, the Loan Parties and the DIP lenders entered into certain amendments to the terms of the Extended DIP Facility. In addition, from time to time, the Company received waivers to prevent or cure certain defaults under the Extended DIP Facility. These waivers and amendments are effective through the maturity date of the Extended DIP Facility. In addition, on June 29, 2004 and July 30, 2004, certain Loan Parties made mandatory prepayments of principal on the Extended DIP Facility in connection with the consummation of certain asset sales. As a result, the total commitment for the entire Extended DIP Facility was reduced to $996,425,000, with the total commitment of the Tranche A Loan being reduced to $796,822,000 and the total commitment of the Tranche B Loan being reduced to $199,603,000. As of September 30, 2004, $406,572,000 under the Tranche A Loan has been drawn and letters of credit totaling $116,387,000 have been issued under the Tranche A Loan, leaving availability of $273,863,000 under the Tranche A Loan. Furthermore, as of September 30, 2004, the entire Tranche B Loan has been drawn.

(d) Co-Borrowing Facilities

The amounts presented in the table above represent the aggregate amount outstanding pursuant to three separate Co-Borrowing Facilities dated May 6, 1999, April 14, 2000 and September 28, 2001. Each co-borrower under each of these facilities was able to borrow up to the entire amount of the available credit under the applicable facility, except for TelCove, which was limited to $500,000,000 (see Note 9). Each co-borrower is jointly and severally liable for the entire amount of the indebtedness under the applicable Co-Borrowing Facility regardless of whether that co-borrower actually borrowed that amount under such Co-Borrowing Facility. Although the applicable Rigas Co-Borrowing Entities and the applicable subsidiaries of the Company entered into assumption agreements dated as of May 6, 2002, pursuant to which the applicable Rigas Co-Borrowing Entities have confirmed their previous agreement with the applicable subsidiaries of the Company to repay the amount of any borrowings that are transferred onto its books, the Company has concluded that it remains fully liable to the lenders under the Co-Borrowing Facilities for the full amount of such borrowings. Accordingly, all amounts outstanding under Co-Borrowing Facilities have been reflected in the accompanying consolidated balance sheets as of the dates that such arrangements were in effect. To the extent that amounts attributed to the Rigas Co-Borrowing Entities have been reflected in the Company's debt balances, the Company has recorded equal increases to the amounts due from the Rigas Family and Rigas Family Entities. For additional information, see Note 6. In addition, all amounts outstanding under Co-Borrowing Facilities at December 31, 2003 and December 31, 2002 represent pre-petition liabilities that have been classified as liabilities subject to compromise in the accompanying consolidated balance sheets.

The table below sets forth certain information regarding amounts outstanding for these Co-Borrowing Facilities for the indicated periods (amounts in thousands):

	December 31,		
	2003	2002	2001
Attributable to Company subsidiaries (1)	$ 1,730,219	$ 1,730,219	$2,590,333
Attributable to Rigas Co-Borrowing Entities	2,846,156	2,846,156	2,449,667
Total included as debt of the Company	$ 4,576,375	$ 4,576,375	$5,040,000

(1) Includes $500,000,000 of proceeds that were credited to TelCove during 2000 as an unrestricted borrower under a joint bank credit facility with a Subsidiary Borrower and a Rigas Family Entity. For additional information, see Note 9.

(e) Deferred Financing Fees

Pursuant to the requirements of SOP 90-7, deferred financing fees related to pre-petition debt have been included as an adjustment of the net carrying value of the related pre-petition debt at December 31, 2003 and 2002 and are no longer being amortized. For additional information, see Note 2.

Other Debt Matters

The fair value, as determined using third party quoted market prices or rates available for debt with similar terms and maturities, and weighted average interest rate of the Company's debt, including the Company's pre-petition debt, is summarized below as of the indicated periods (dollars in thousands):

	2003	2002	2001
Fair value	$ 14,611,503	$ 8,908,761	$ 16,345,418
Weighted average interest rate	7.02%	7.12%	6.96%

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The table below sets forth the contractual principal maturities, without consideration for default provisions, of the Company's debt. Such maturities exclude net discounts of $311,326,000 and deferred financing fees of $134,208,000 (amounts in thousands):

2004 and prior years	$2,638,591
2005	$1,552,524
2006	$2,999,058
2007	$2,132,343
2008	$1,618,667
2009 and thereafter	$5,988,529

The foregoing maturities and interest rates include significant pre-petition obligations, which as discussed below, are stayed and any action taken with regard to defaults under the pre-petition debt obligations is prevented. Therefore, these commitments do not reflect actual cash outlays in future periods.

Due to the commencement of the Chapter 11 proceedings and the Company's failure to comply with certain financial covenants, the Company is in default on substantially all of its pre-petition debt obligations. Except as otherwise may be determined by the Bankruptcy Court, the automatic stay protection afforded by the Chapter 11 proceedings prevents any action from being taken against any of the Debtors with regard to any of the defaults under the pre-petition debt obligations. With the exception of the Company's capital lease obligations and a portion of other subsidiary debt, all of the pre-petition obligations are classified as liabilities subject to compromise in the accompanying consolidated balance sheets as of December 31, 2003 and 2002. For additional information, see Note 2.

Interest Rate Derivative Agreements

Prior to the Petition Date, the Company entered into interest rate swaps, caps and collar agreements with financial institutions to reduce the impact of changes in interest rates on its debt. The Company has entered into swap agreements pursuant to which it pays either (i) a fixed rate ("Fixed Rate Swap") or (ii) a variable rate ("Variable Rate Swap") to reduce the risk of incurring higher interest costs in periods of rising and falling interest rates, respectively. Interest rate cap and interest rate collar ("Interest Rate Collar") agreements were used to reduce the impact of increases in interest rates on variable-rate debt. The Company has not designated the foregoing derivative financial instruments as hedging instruments pursuant to the provisions of SFAS No. 133. Accordingly, changes in the fair value of these instruments were recognized currently and included in other income (expense) through the Petition Date. Changes in the fair value of these instruments subsequent to the Petition Date have not been recognized, as these agreements have been stayed and the amount to be received or paid in connection with these instruments will be determined by the Bankruptcy Court. The following table summarizes certain information concerning the Company's interest rate derivative agreements as of the indicated date (dollars in thousands):

	December 31, 2001
Fixed Rate Swaps:	
Notional amount	$ 75,000
Fair value	$ (2,884)
Average rate received	1.90%
Average rate paid	6.05%
Variable Rate Swaps:	
Notional amount	$ 80,000
Fair value	$ 2,296
Average rate received	3.54%

Average rate paid	1.07%
Interest Rate Caps:	
Notional amount	$ 400,000
Fair value	$ —
Average cap rate	7.25%
Average floating rate	2.08%
Interest Rate Collars:	
Notional amount	$ 141,000
Fair value	$ (2,827)
Average floating rate	2.53%
Average maximum cap rate	6.89%
Average minimum floor rate	5.04%

At the Petition Date, all of the Company's derivative financial instruments had been settled except for one Fixed Rate Swap, two Variable Rate Swaps and one Interest Rate Collar. A Variable Rate Swap was settled during the third quarter of 2002. The Fixed Rate Swap, a Variable Rate Swap and the Interest Rate Collar remain outstanding at December 31, 2003. As the settlement of the remaining Fixed Rate Swap, Variable Rate Swap and Interest Rate Collar will be determined by the Bankruptcy Court, the $3,486,000 fair value of the liability associated with such Fixed Rate Swap, Variable Rate Swap and Interest Rate Collar at the Petition Date has been classified as a liability subject to compromise in the accompanying consolidated balance sheets. Losses resulting from changes in the fair value of interest rate exchange agreements aggregated $159,000, and $3,218,000, during 2002 (pre-petition) and 2001, respectively, and such amounts are included in other income (expense), net in the accompanying consolidated statements of operations.

Note 15: Redeemable Preferred Stock

13% Cumulative Exchangeable Preferred Stock

On July 7, 1997, Adelphia issued 1,500,000 shares of Series A 13% Cumulative Exchangeable Preferred Stock due July 15, 2009 ("Series A Preferred Stock"). The Series A Preferred Stock, which was exchanged in November 1997 for Series B 13% Cumulative Exchangeable Preferred Stock due July 15, 2009 ("Series B Preferred Stock"), had an aggregate liquidation preference of $150,000,000 on the date of issuance and was recorded net of issuance costs of $2,025,000. The shares of Series A Preferred Stock were returned to their original status of authorized but unissued preferred stock. Dividends are payable semi-annually at 13% of the liquidation preference of the outstanding Series B Preferred Stock. Dividends are payable in cash with any accumulated unpaid dividends bearing interest at 13% per annum. The Series B Preferred Stock ranks junior in right of payment to all indebtedness of Adelphia. Adelphia has the right to redeem, at its option, all or a portion of the Series B Preferred Stock at redemption prices that begin at 106.5% of the liquidation preference thereof on July 15, 2002 and decline to 100% of the liquidation preference thereof on July 15, 2008. Adelphia is required to redeem all of the shares of the Series B Preferred Stock outstanding on July 15, 2009 at a redemption price equal to 100% of the liquidation preference thereof. Any redemption of the Series B Preferred Stock would require the payment, without duplication, of all accumulated and unpaid dividends and interest to the date of redemption. The Series B Preferred Stock provides for voting rights in certain circumstances and contains restrictions and limitations on (i) dividends and certain other payments and investments, (ii) indebtedness, (iii) mergers and consolidations, and (iv) transactions with affiliates.

Adelphia may, at its option, on any dividend payment date, exchange in whole or in part (subject to certain restrictions), the then outstanding shares of preferred stock for 13% Senior Subordinated Exchange Debentures due July 15, 2009 which have provisions consistent with the provisions of the preferred stock. Adelphia accrued cash dividends on this preferred stock of $9,480,000 and $19,500,000 during the years ended December 31 2002 and 2001, respectively. As a result of the filing of the Debtor's Chapter 11 Cases, the Company, as of the Petition Date, discontinued accruing dividends on all of its preferred stock issuances. For additional information, see Note 2. In addition, as the Company is not current in its periodic reporting obligations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company is not in compliance with certain covenants contained in the Certificate of Designation for the Series B Preferred Stock.

In accordance with certain provisions of SFAS No. 150, which the Company adopted on July 1, 2003, the Company has classified the Series B Preferred Stock as a liability subject to compromise in the accompanying December 31, 2003 consolidated balance sheet. As SFAS No. 150 does not permit restatement, conforming changes have not been reflected in the comparative prior period consolidated balance sheets.

$12^7/_8$% TelCove Redeemable Exchangeable Preferred Stock

On October 9, 1997, TelCove issued 200,000 shares of $12^7/_8$% Senior Exchangeable Redeemable Preferred Stock due October 15, 2007 ("TelCove Preferred Stock"). The TelCove Preferred Stock had an aggregate liquidation preference of $200,000,000 on the date of issuance. The TelCove Preferred Stock was classified as redeemable preferred stock due to the fact that TelCove is required to redeem all of the shares of preferred stock outstanding on October 15, 2007 at a redemption price equal to 100% of the liquidation preference thereof, plus, without duplication, accumulated and unpaid dividends and interest to the date of redemption. During 2001, 2000 and 1999, TelCove issued additional shares of TelCove Preferred Stock with an aggregate liquidation value of $41,038,000, $36,220,000 and $32,173,000, respectively, as in-kind payment of dividends on the outstanding TelCove Preferred Stock. The TelCove Preferred Stock was eliminated from the Company's consolidated balance sheet as a result of the TelCove Spin-off.

Note 16: Stockholders' Deficit

Common Stock

The Certificate of Incorporation of Adelphia authorizes two classes of $0.01 par value common stock, Class A Common Stock and Class B Common Stock. Holders of Class A Common Stock and Class B Common Stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, except (i) as described below with respect to the election of one director by the holders of Class A Common Stock, and (ii) as otherwise provided by law. In the annual election of directors, the holders of Class A Common Stock voting as a separate class are entitled to elect one of Adelphia's directors. In addition, each share of Class B Common Stock is convertible into a share of Class A Common Stock at the option of the holder. In the event a cash dividend is paid, the holders of Class A Common Stock will be paid 105% of the amount payable per share for each share of Class B Common Stock. Upon liquidation, dissolution or winding up of Adelphia, the holders of Class A Common Stock are entitled to a preference of $1.00 per share and the amount of all unpaid declared dividends thereon from any funds available after satisfying the liquidation preferences of preferred securities, debt instruments and other senior claims on Adelphia's assets. After such amount is paid, holders of Class B Common Stock are entitled to receive $1.00 per share and the amount of all unpaid declared dividends thereon. Any remaining amount would then be shared ratably by both classes. As of December 31, 2003, there were 74,992,706 shares of Class A Common Stock and 12,159,768 shares of Class B Common Stock reserved for issuance pursuant to conversion rights of certain of the Company's debt and preferred stock instruments and exercise privileges under outstanding stock options. In addition, one share of Class A Common Stock is reserved for each share of Class B Common Stock.

Outstanding shares of common stock are as follows for the indicated periods:

	Class A Common Stock	Class B Common Stock
Outstanding shares, January 1, 2001	133,788,334	19,235,998
Issuances	48,350,000	5,819,367
Acquisitions	5,629,948	—

ADELPHIA COMMUNICATIONS CORPORATION AND SUBSIDIARIES
(Debtors-In-Possession)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Exercise of options	6,409	—
Outstanding shares, December 31, 2001	187,774,691	25,055,365
Issuances	40,000,000	—
Acquisitions	2,012,305	—
Exercise of options	100	—
Outstanding shares, December 31, 2002	229,787,096	25,055,365
Other	175	—
Outstanding shares, December 31, 2003	229,787,271	25,055,365

Preferred Stock

General. Adelphia was authorized to issue 50,000,000 shares of $0.01 par value preferred stock at December 31, 2003, including (i) 1,500,000 shares of Series A Preferred Stock, all of which were exchanged for Series B Preferred Stock in 1997, (ii) 1,500,000 shares of Series B Preferred Stock, all of which were issued and outstanding at December 31, 2003, (iii) 20,000 shares of Series C Preferred Stock, none of which were outstanding at December 31, 2003, (iv) 2,875,000 shares of 5½% Series D Convertible Preferred Stock ("Series D Preferred Stock"), all of which were issued and outstanding at December 31, 2003, (v) 15,800,000 shares of Series E Preferred Stock, 13,800,000 of which were issued and outstanding at December 31, 2003 and (vi) 23,000,000 shares of 7.5% Series F Mandatory Convertible Preferred Stock ("Series F Preferred Stock"), all of which were issued and outstanding at December 31, 2003.

With respect to dividend distributions and distributions upon liquidation (i) all series of Adelphia's preferred stock rank junior to debt instruments and other claims on Adelphia's assets, (ii) the Series B Preferred Stock ranks senior to the Series D Preferred Stock, (iii) the Series D Preferred Stock ranks senior to the Series E Preferred Stock and Series F Preferred Stock, (iv) the Series E Preferred Stock ranks equally with the Series F Preferred Stock and (v) all series of preferred stock rank senior to the Class A Common Stock and Class B Common Stock. Although the Certificate of Designation relating to the Series D Preferred Stock indicates that the Series D Preferred Stock ranks equally with the Series B Preferred Stock, the Company has not been able to locate the consent that would have been required to have been obtained from the holders of the Series B Preferred Stock for this to be the case.

As a result of the filing of the Debtors' Chapter 11 Cases, Adelphia, as of the Petition Date, discontinued accruing dividends on all of its outstanding preferred stock. Had the Debtors not filed voluntary petitions under Chapter 11, the total annual dividends that Adelphia would have accrued on all series of its preferred stock during 2003 and 2002 would have been $120,125,000 and $117,279,000, respectively.

The Certificates of Designation relating to the Series B Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and Series F Preferred Stock provide for voting rights in certain limited circumstances. On August 11, 2003, the Company initiated an adversary proceeding against the holders of such preferred stock seeking, among other things, to enjoin those holders from exercising purported rights to elect directors to Adelphia's Board of Directors due to Adelphia's failure to pay dividends and alleged breaches of certain covenants contained in applicable Certificates of Designation. On August 13, 2003, (i) certain preferred stockholders filed an action in the Delaware Chancery Court seeking a declatory judgment of their purported right to appoint two directors to Adelphia's Board of Directors (the "Delaware Action") and (ii) the Bankruptcy Court granted Adelphia a temporary restraining order, which, among other things, stayed the Delaware Action and temporarily enjoined preferred stockholders from exercising their purported rights to elect directors to Adelphia's Board of Directors. The Delaware Action has since been withdrawn.

The terms of the Series B Preferred Stock are discussed in Note 15, and the terms of the Series C, Series D, Series E and Series F Preferred Stock are discussed below.

Series C Preferred Stock. On July 7, 1997, Adelphia issued 100,000 shares of Series C Preferred Stock with a par value of $0.01 per share and an aggregate liquidation preference of $100,000,000, of which 80,000 shares were issued to one of the Rigas Family Entities and the remaining 20,000 shares were issued to Telesat. On January 29, 1999, Adelphia purchased from Telesat all of its 20,000 shares of Series C Preferred Stock. Such shares were returned to their original status of authorized but unissued preferred stock. The Series C Preferred Stock accrued dividends at a rate of 8 1/8% per annum. On August 2, 2000, the 80,000 shares of Series C Preferred Stock held by the entity controlled by the Rigas Family were converted into 9,433,962 shares of Adelphia Class A Common Stock.

Series D Preferred Stock. On April 30, 1999, and in a related transaction on May 14, 1999, Adelphia issued an aggregate of 2,875,000 shares of Series D Preferred Stock with a par value of $0.01 per share and an aggregate liquidation preference of $575,000,000. The Series D Preferred Stock accrues dividends at a rate of 5½% per annum. At December 31, 2003, the Series D Preferred Stock was convertible into an aggregate of 7,059,546 shares of Class A Common Stock. The conversion ratio is subject to adjustment in certain circumstances. Dividends have been accrued in accordance with past management practices. Adelphia accrued aggregate cash dividends on the Series D Preferred Stock of $15,285,000 and $31,625,000 during 2002 and 2001, respectively.

Series E Preferred Stock. On November 15, 2001, and in a related transaction on November 20, 2001, Adelphia issued an aggregate of 13,800,000 shares of Series E Preferred Stock with a par value of $0.01 per share and an aggregate liquidation preference of $345,000,000, subject to adjustment. The Series E Preferred Stock accrues dividends at a rate of 7½% per annum and is convertible at any time into shares of the Company's Class A Common Stock at $25.37 or 13,598,700 shares. If not otherwise converted earlier, all outstanding shares of Series E Preferred Stock were scheduled to be converted into shares of Class A Common Stock on November 15, 2004, at the then applicable conversion ratio. The conversion ratio is based upon the prior 20-day average market price of the Company's Class A Common Stock, subject to a minimum of 13,598,700 shares and a maximum of 16,046,500 shares at average market prices above $25.37 or below $21.50, respectively. At the request of Adelphia, the Bankruptcy Court has issued an order postponing the conversion of the Series E Preferred Stock into shares of Class A Common Stock from November 15, 2004 to February 1, 2005. Adelphia obtained the order to preserve its net operating loss carryovers. As a result of the continuing impact of the June 2002 bankruptcy filing on the Company's common stock price, the Company expects that the Series E Preferred Stock would convert into 16,046,500 shares of Class A Common Stock on February 1, 2005, which is the maximum number of shares into which the Series E Preferred Stock may be converted, to the extent such conversion was not stayed by the commencement of the Chapter 11 Cases. Accordingly, the Company recognized a beneficial conversion feature of $2,553,500 based upon the expected $21.50 conversion price on its Series E Preferred Stock. Such deemed dividend has been allocated from the preferred stock carrying value to additional paid-in capital and is being accreted, on the interest method, through February 1, 2005. The accretion of the beneficial conversion feature was $960,000 and $458,000 in 2003 and 2002, respectively, and has been recorded as part of net loss applicable to common stockholders in the accompanying consolidated statements of operations. Dividends have been accrued in accordance with past management practices. Dividends accrued on the Series E Preferred Stock aggregated $12,578,000 and $3,234,000 during 2002 and 2001, respectively.

Series F Preferred Stock. On January 22, 2002, and in a related transaction on February 7, 2002, Adelphia issued 23,000,000 shares of Series F Preferred Stock with a par value of $0.01 and a liquidation preference of $575,000,000, subject to adjustment. The Series F Preferred Stock accrues dividends at a rate of 7½% per annum and is convertible at any time into shares of the Company's Class A Common Stock at $29.99 or 19,172,800 shares. If not otherwise converted earlier, all outstanding shares of Series F Preferred Stock will be converted into shares of Class A Common Stock on February 1, 2005, at the then applicable conversion ratio, to the extent such conversion was not stayed by the commencement of the Chapter 11 Cases. The conversion ratio is based upon the prior 20-day average market price of the Company's Class A Common Stock, subject to a minimum of 19,172,800 shares and a maximum of 22,818,300 shares at average market prices above $29.99 or below $25.20, respectively. As a result of the continuing impact of the June 2002 bankruptcy filing on the Company's common stock price, the Company expects that the Series F Preferred Stock would convert into 22,818,300 shares of Class A Common Stock on February 1, 2005, which is the maximum number of shares into which the Series F Preferred Stock is convertible. Accordingly, the Company recognized a beneficial conversion feature of $16,866,000 based upon the expected $25.20 conversion price on its Series F Preferred Stock. Such deemed dividend has been allocated from the preferred stock carrying value to additional paid-in capital and is being accreted, on the interest method, through

February 1, 2005. The accretion of the beneficial conversion feature was $6,357,000 and $3,054,000 in 2003 and 2002, respectively, and has been recorded as part of net loss applicable to common stockholders in the accompanying consolidated statements of operations. Dividends have been accrued in accordance with past management practices. Dividends accrued on the Series F Preferred Stock aggregated $18,328,000 during 2002.

Treasury Stock

On January 29, 1999, Adelphia purchased 1,091,524 shares of Class A Common Stock from Telesat. The acquired shares of Class A Common Stock are presented as treasury stock in the accompanying consolidated balance sheets. In 2001 and 2000, Adelphia issued 125,000 and 325,000 shares, respectively, of the Class A treasury stock to the NHL on behalf of NFHLP to satisfy a NHL collective bargaining escrow requirement. For additional information, see Note 6.

Note 17: Stock Compensation and Employee Benefit Plans

1998 Adelphia Long-Term Incentive Compensation Plan

During October 1998, Adelphia adopted its 1998 Long-Term Incentive Compensation Plan (the "1998 Plan"). The 1998 Plan, which was approved by the Adelphia stockholders, provides for the granting of (i) options which qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), (ii) options which do not so qualify, (iii) share awards (with or without restriction on vesting), (iv) stock appreciation rights and (v) stock equivalent awards or phantom units. The number of shares of Class A Common Stock available for issuance under the 1998 Plan is 7,500,000. Options, awards and units may be granted under the 1998 Plan to directors, officers, employees and consultants of the Company. The 1998 Plan provides that incentive stock options must be granted with an exercise price of not less than the fair market value of the underlying Class A Common Stock on the date of grant. Options outstanding under the 1998 Plan may be exercised by paying the exercise price per share through various alternative settlement methods. Certain options granted during the five years ended December 31, 2003, vest immediately and others vest over periods of up to four years. Generally, options were granted with a purchase price equal to the fair value of the shares to be purchased as of the date of grant and the options had a maximum term of ten years. Since 2001, no awards have been granted pursuant to the 1998 Plan and the Company does not intend to grant any new awards pursuant to the 1998 Plan.

The following table summarizes the Company's stock option activity:

	2003		2002		2001	
	Options	WAEP*	Options	WAEP*	Options	WAEP*
Options outstanding, beginning of year	696,663	$ 48.28	2,482,076	$ 45.28	338,025	$ 50.87
Granted	—	—	—	—	2,160,379	44.25
Exercised	—	—	(100)	8.68	(6,409)	8.41
Cancelled	(382,289)	52.77	(1,785,313)	44.12	(9,919)	33.94
Options outstanding, end of year	314,374	$ 42.83	696,663	$ 48.28	2,482,076	$ 45.28
Exercisable at end of year	278,587	$ 42.65	544,359	$ 50.18	2,297,247	$ 45.57

*WAEP represents weighted average exercise price.